



PUBLIC ACCOUNTS

VOLUME 2 – PART A

AGENCIES AND FUNDS

FOR THE FISCAL YEAR ENDED MARCH 31, 2007

THE HONOURABLE MICHAEL G. BAKER, Q.C.
MINISTER OF FINANCE



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FOR THE FISCAL YEAR ENDED MARCH 31, 2007

THE HONOURABLE MICHAEL G. BAKER, Q.C.
MINISTER OF FINANCE

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Financial Statements of

3052155 NOVA SCOTIA LIMITED

Year ended March 31, 2007



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AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of 3052155 Nova Scotia Limited as at March 31, 2007 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Halifax, Canada

July 24, 2007

3052155 NOVA SCOTIA LIMITED

Balance Sheet
(In thousands of dollars)

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Cash and short-term investments	\$ 1,051	\$ 1,219
Other assets (note 2)	172	241
	<u>\$ 1,223</u>	<u>\$ 1,460</u>

Liabilities and Shareholder's Equity (Deficiency)

Provision for site restoration (note 3)	\$ 500	\$ 883
Payables and accruals	8	10
Due to Province of Nova Scotia, without terms	79	79
	<u>587</u>	<u>972</u>

Shareholder's equity (deficiency):

Capital stock:

Authorized: 100,000 common shares without par value

Issued and outstanding: 1,000 common shares

Contributed surplus (note 4)

Deficit

1	1
8,978	8,978
(8,343)	(8,491)
<u>636</u>	<u>488</u>

Contingent liability (note 3)

	<u>\$ 1,223</u>	<u>\$ 1,460</u>
--	-----------------	-----------------

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

3052155 NOVA SCOTIA LIMITED**Statement of Operations and Deficit**
(In thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Interest income	\$ 31	\$ 249
Expenses:		
Insurance	75	150
General and administrative	36	88
	111	218
Earnings (loss) before the undernoted	(80)	31
Decrease in provision for site restoration	228	1,000
Net earnings	148	1,031
Opening deficit	(8,491)	(9,522)
Ending deficit	\$ (8,343)	\$ (8,491)

See accompanying notes to financial statements.

3052155 NOVA SCOTIA LIMITED**Statement of Cash Flows**
(In thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash derived from (applied to):		
Operating:		
Net earnings	\$ 148	\$ 1,031
Item not involving cash:		
Decrease in provision for site restoration	(228)	(1,000)
Changes in non-cash operating working capital items:		
Other assets	89	139
Payables and accruals	(2)	2
Expenditures for site restoration	(155)	(17,634)
Decrease in cash	(168)	(17,462)
Cash and short-term investments, beginning of year	1,219	18,681
Cash and short-term investments, end of year	\$ 1,051	\$ 1,219

Supplemental cash flow information (note 5)

See accompanying notes to financial statements.

3052155 NOVA SCOTIA LIMITED

Notes to Financial Statements

Year ended March 31, 2007

The Company was incorporated in 2001 for the purpose of holding and administering various assets and obligations transferred from Nova Scotia Resources Limited prior to the sale of that company's shares.

1. Significant accounting policies:

(a) Provision for site restoration:

The provision for future removal and site restoration costs for the Cohasset/Panuke project is based on current estimates. Expenses were recorded in Nova Scotia Resources (Ventures) Limited prior to the provision being transferred to the Company.

(b) Measurement uncertainty:

The amount recorded for site restoration is based on estimates of future costs. By its nature, this estimate is subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

2. Other assets:

	2007	2006
	(In thousands of dollars)	
Accounts receivable	\$ 7	\$ 1
Prepaid expenses	180	235
Other assets	5	5
	\$ 172	\$ 241

3. Provision for site restoration:

	2007	2006
	(In thousands of dollars)	
Cohasset/Panuke Project	\$ 500	\$ 883

The Cohasset/Panuke Project ceased producing oil in 1999.

3052155 NOVA SCOTIA LIMITED

Notes to Financial Statements, page 2

Year ended March 31, 2007

3. Provision for site restoration (continued):

Decommissioning of the Cohasset-Panuke project has been completed. The remaining provision represents the estimated cost to the Company of monitoring the post-decommissioning sub-sea site as required by the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB). The project operator, and the Company's joint venture partner in the project, has received approval from the CNSOPB to amend the Cohasset Development Plan, subject to certain conditions. The amendment allows the operator to leave sub-sea flowlines and related sub-sea materials in place as part of the decommissioning process. Conditions include implementation, by the operator, of a program to monitor the burial state of the equipment left in place. Specifically, the operator has committed to conduct a further environment site assessment study to be completed within three years of abandonment. Further, the operator has committed to an on-going obligation to adhere to CNSOPB compensation guidelines in the event that interference with commercial fishing equipment occurs as a result of decommissioning sub-sea materials left in situ. The Company is a nominee of the Province of Nova Scotia with respect to this obligation. The Company considers the risk of such occurrence to be low. The Company's remaining share of the cost of site restoration, based on the above conditions, has been estimated at \$500,000 (2006 - \$883,000). However based on the unpredictable nature of the environment in which the work is being performed this liability could range between \$150,000 and \$500,000 (2005 - \$800,000 and \$1,000,000).

The Company has issued a demand promissory note to the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) in the amount of \$2.5 million as evidence of financial responsibility regarding the site restoration of the Cohasset-Panuke Project. This note will remain in place until issues regarding on-going liability for sub-sea materials left in place have been addressed to the satisfaction of the CNSOPB.

4. Contributed surplus:

In anticipation of the sale of the shares of Nova Scotia Resources Limited, many of the monetary items from that company, together with the obligation for site restoration for the Cohasset/Panuke Project, amounting to \$8,978,000, were transferred from the Province of Nova Scotia as contributed surplus.

5. Supplemental cash flow information:

	2007	2006
	(In thousands of dollars)	
Cash received:		
Interest	\$ 31	\$ 249

3052155 NOVA SCOTIA LIMITED

Notes to Financial Statements, page 3

Year ended March 31, 2007

6. Financial instruments – fair values:

The fair value of the Company's other assets, cash and short-term investments and payables and accruals approximate their carrying amounts due to the relatively short periods to maturity of these instruments.

7. Income taxes:

As a Crown corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.

AGRAPOINT INTERNATIONAL INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006



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A full range of
financial expertise
from a trusted team of
professionals who have
helped companies
succeed in Atlantic
Canada since 1976.

AUDITORS' REPORT

To The Shareholder of Agrapoint International Inc.

Member of DFK
Accountancy Group
Inc. (Canada) and
DFK International

We have audited the balance sheet of Agrapoint International Inc. as at December 31, 2006 and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and the results of operations and cash flows of the company for the year then ended, in accordance with Canadian generally accepted accounting principles.

WBLI

CHARTERED ACCOUNTANTS

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February 15, 2007

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AGRAPOINT INTERNATIONAL INC.**BALANCE SHEET****AS AT DECEMBER 31, 2006**

	2006	2005
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	161,890	118,048
Short-term investments (note 4)	240,442	275,055
Accounts receivable	421,742	174,601
HST recoverable	6,580	29,077
Inventory	1,015	2,060
Prepaid expenses	61,732	51,388
Deferred Agrifest 2006 expenses	-	79,287
	893,381	729,516
PROPERTY, PLANT AND EQUIPMENT (note 5)	228,374	241,552
LONG-TERM INVESTMENTS (note 7)	905,359	1,310,521
OTHER LONG TERM ASSETS (note 8)	-	5,136
	2,027,114	2,286,725
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	130,770	233,888
Current portion of long-term debt	5,895	18,611
Deferred revenue	550,000	512,500
Deferred Agrifest 2006 revenue	-	41,400
	686,665	806,399
DEFERRED GOVERNMENT ASSISTANCE (note 9)	18,402	30,850
LONG TERM DEBT (note 10)	-	5,895
	705,067	843,144
SHAREHOLDER'S EQUITY		
CAPITAL STOCK (note 11)	1	1
RETAINED EARNINGS	1,322,046	1,443,580
	1,322,047	1,443,581
	2,027,114	2,286,725
COMMITMENTS (note 12)		
APPROVED ON BEHALF OF THE BOARD		

Director

Director

AGRAPOINT INTERNATIONAL INC.**STATEMENT OF RETAINED EARNINGS****FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006	2005
	\$	(9 months) \$
RETAINED EARNINGS - beginning of year	1,443,580	1,370,851
Change in accounting policy (note 15)	42,557	-
	1,486,137	1,370,851
Net earnings (loss) for the year	(164,091)	72,729
RETAINED EARNINGS - end of year	1,322,046	1,443,580

AGRAPOINT INTERNATIONAL INC.**STATEMENT OF EARNINGS****FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006	2005
		(9 months)
	\$	\$
REVENUE		
Consulting and fee revenue (note 13)	3,190,075	2,163,636
Other revenue	86,973	48,383
	<u>3,277,048</u>	<u>2,212,019</u>
COST OF SERVICES	<u>844,126</u>	<u>627,016</u>
	<u>2,432,922</u>	<u>1,585,003</u>
EXPENSES		
Salaries, wages and benefits	1,672,745	1,043,234
Office and administration	190,110	116,694
Amortization net of deferred government assistance (\$12,447; 2005 - \$38,577)	97,594	49,648
Occupancy	106,402	58,578
Travel	85,090	67,053
Marketing and communications	72,082	44,867
Professional fees	48,391	43,712
Dues and professional development	58,989	33,591
Board expense	38,865	32,178
Insurance	31,559	22,239
Business development	1,359	-
	<u>2,403,186</u>	<u>1,511,794</u>
EARNINGS FOR THE YEAR BEFORE OTHER ITEMS	<u>29,736</u>	<u>73,209</u>
OTHER ITEMS		
Loss on disposal of property, plant and equipment	(4,770)	(455)
Equity interest in investment	-	(25)
Net loss from Agrifest (schedule)	(189,057)	-
	<u>(193,827)</u>	<u>(480)</u>
NET EARNINGS (LOSS) FOR THE YEAR	<u>(164,091)</u>	<u>72,729</u>

AGRAPOINT INTERNATIONAL INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

	2006	2005
		(9 months)
	\$	\$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Cash provided from operations		
Net earnings (loss) for the year	(164,091)	72,729
Items in earnings not involving cash		
Amortization	110,041	88,225
Amortization of deferred government assistance	(12,447)	(38,577)
Loss on disposal of property, plant and equipment	4,770	455
	(61,727)	122,832
Change in noncash working capital balances		
Accounts receivable	(247,141)	56,490
HST recoverable	22,517	(18,917)
Inventory	1,045	(1,395)
Prepaid expenses	(10,344)	(11,889)
Deferred Agrifest 2006 expenses	79,287	(79,287)
Accounts payable and accrued liabilities	(103,119)	202
Deferred Agrifest 2006 revenue	(41,400)	41,400
Deferred revenue	37,500	512,500
	(323,382)	621,836
Adjustment to opening retained earnings for change in accounting policy	42,557	-
	(280,825)	621,836
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of long-term debt	(18,611)	(15,422)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(101,122)	(78,460)
Proceeds on disposal of property, plant and equipment	4,625	525
Net (acquisition) disposal of long-term investments	405,162	(741,830)
Net disposal of short-term investments	34,813	63,213
Decrease in equity interest in Global Food Excellence Inc.	-	25
	343,278	(756,527)
CHANGE IN CASH DURING THE YEAR	43,842	(150,013)
CASH - beginning of year	118,048	268,061
CASH - end of year	161,890	118,048
NOTE:		
	2006	2005
	\$	\$
Interest paid	3,555	1,020

AGRAPOINT INTERNATIONAL INC.
AGRIFEST PROJECT SUMMARY SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006	2005
		(9 months)
	\$	\$
REVENUE		
Sponsors	189,350	-
Event	98,167	-
	<u>287,517</u>	<u>-</u>
EXPENSES		
Administration	11,745	-
Field and crop expenses	186,632	-
Marketing and program	136,241	-
Site operations	141,956	-
	<u>476,574</u>	<u>-</u>
NET LOSS FROM AGRIFEST	<u>(189,057)</u>	<u>-</u>

AGRAPOINT INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

1. NATURE OF OPERATIONS

The Agricultural Development Institute Limited was incorporated under the Nova Scotia Companies Act on August 21, 2000, and actively began providing services to the agricultural industry of Nova Scotia in April 2001. Effective October 15, 2002, the Institute changed its name to AgraPoint International Inc. AgraPoint International Inc. is a governmental unit as defined in section 74(c) of the Provincial Finance Act. AgraPoint's objectives are to provide innovative development services that empower the agri-food industry to create new value. Its three main core values are empowerment of the client, importance of rural life and commitment to the future development of the agri-food industry.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventory

Inventory is valued at the lower of cost, determined on a first in, first out basis, and net realizable value.

Credit risk

The company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the company regularly monitors the balances outstanding from its customers. The customer base is made up of individual farmers and government agencies.

The company does not have a significant exposure to any individual customer or counterpart other than the Province of Nova Scotia as discussed in note 13. The company's customers vary in size and nature. The company incurred bad debt expense in the current year of \$1,990 (2005 - \$828).

Investments

Short-term investments are classified as held for trading and are recorded at fair market value. At year end, the quoted market value was substantially the same as the cost. Unrealized gains and losses are included in net earnings for the year.

Long-term investments are comprised of fixed income bonds and investments in equities. The long-term investments have been classified as held for trading because of the activity in the portfolio that has occurred during the past two years. Unrealized gains and losses related to the long-term investments are included in net earnings for the year.

Property, plant and equipment

Property, plant and equipment are stated at cost. Amortization is provided by the diminishing balance method at the following annual rates:

Computer equipment	50%
Computer software	100%
Furniture and fixtures	20%
Leasehold improvements	20%

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

AGRAPOINT INTERNATIONAL INC.**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2006**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Investment in significantly influenced entity**

The company's investment in Global Food Excellence Inc., of which it owns 25% of the outstanding voting shares and over which it exercises significant influence, is accounted for by the equity method. Under this method, the investment is initially recorded at cost and is increased for the proportionate share of any post acquisition earnings and is decreased by any post acquisition losses and dividends received.

Other assets

Other assets are recorded at cost, and are amortized using the straight-line method over five years. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Government assistance

Government assistance related to property, plant and equipment and other assets is deferred and amortized to earnings on the same basis as the related asset.

Revenue recognition

Revenue related to the Province of Nova Scotia's annual contribution is recognized equally over the year in which it is received.

Investment income is recognized as revenue when earned.

Consulting and fee income is recognized as revenue as it is earned.

Revenue relating to the sale of goods is recorded when the risk and rewards of ownership have been transferred, which is normally the date of shipment.

Non-monetary transactions

Non-monetary transactions are recorded at the fair value of the service provided to the company.

Financial instruments

The company's financial instruments comprise cash, short-term investments, accounts receivable, long-term investments, accounts payable and accrued liabilities and long-term debt.

Cash, accounts receivable and accounts payable and accrued liabilities are reported at their fair values on the balance sheet. The fair values are the same as the carrying values due to their short-term nature.

The fair values of short and long-term investments are disclosed in the respective notes to the financial statements.

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based upon market interest rates for loans with similar conditions and maturities.

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

AGRAPOINT INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

3. INCOME TAXES

The company and its property are exempt from taxation under section 149(1)(e) of the Income Tax Act.

4. SHORT TERM INVESTMENTS

The short-term investments are comprised of government bonds, treasury bills and other interest bearing investments. The carrying amount of the short-term investments at the end of the year is \$240,526. The market value of the investments at the end of the prior year was \$274,954.

5. PROPERTY, PLANT AND EQUIPMENT

	2006		2005	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Computer hardware	240,123	173,355	66,768	79,340
Computer software	97,896	94,149	3,747	9,331
Furniture, fixtures and equipment	178,248	82,988	95,260	101,756
Leasehold improvements	117,470	54,871	62,599	51,125
	633,737	405,363	228,374	241,552

6. INVESTMENT IN COMPANY SUBJECT TO SIGNIFICANT INFLUENCE

	2006	2005
	\$	\$
25% Investment in Global Food Excellence Inc.	-	25
Equity in earnings (loss) since acquisition	-	(25)
	-	-

The company's share of the income of Global Food Excellence Inc. for the year ending December 31, 2006 is \$536 (2005 - loss of \$284). The company recognized a loss equal to the original investment in Global Food Excellence Inc. in its financial statements in the prior year. The cumulative loss in Global Food Excellence Inc. up to December 31, 2006 is \$2,743. The company will apply its share in the the cumulative unrecognized loss, which is \$686 against its share of future profits from Global Food Excellence Inc. Once the company's share of profits equal its share of the losses not recognized, the company will resume including its share of profits from Global Food Excellence Inc. in its earnings and increase the carrying value of its investment.

AGRAPOINT INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

7. LONG-TERM INVESTMENTS

	2006	2005
	\$	\$
Fixed Income		
Imperial short-term bond pool is made up of bonds, debentures, notes or other debt instruments, of Canadian and non-Canadian issuers, with a remaining term to maturity of one to five years. The interest rate exposure for the top ten holdings ranges from 3.15% to 4.65% (refer to note 15).		
- at market (cost - \$134,416)	133,887	
- at cost (market - \$218,796)		221,522
Imperial Canadian bond pool is made up of bonds, debentures, notes, other debt instruments (whether secured or unsecured), preferred shares and convertible preferred shares of Canadian and non-Canadian issuers. The interest rate exposure for the top ten holdings ranges from 4.00% to 11.00% (refer to note 15).		
- at market (cost - \$228,268)	227,948	
- at cost (market - \$461,574)		459,711
	<u>361,835</u>	<u>681,233</u>
Investments in equities (refer to note 15)		
- at market (cost - \$517,263)	543,524	
- at cost (market - \$672,809)		629,288
	<u>905,359</u>	<u>1,310,521</u>

8. OTHER ASSETS

	2006		2005	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Web site development	34,215	34,215	-	5,136

AGRAPOINT INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

9. DEFERRED GOVERNMENT ASSISTANCE

	2006		2005
	Cost	Accumulated amortization	Net
	\$	\$	\$
Deferred government assistance	215,429	197,026	18,402
			30,850

10. LONG-TERM DEBT

	2006	2005
Non-interest bearing, financing of leasehold improvements, is being repaid in monthly principal instalments of \$737, matures in August 2007.	\$ 5,895	\$ 14,738
Non-interest bearing, financing of computer software, licenses and support, was being repaid in monthly instalments of \$977. This loan was repaid during the year.	-	9,768
	5,895	24,506
Less current portion	5,895	18,611
	-	5,895

The approximate principal due within the next year is as follows:

	\$
2007	5,895

AGRAPPOINT INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

11. CAPITAL STOCK

	2006	2005
	\$	\$
Authorized		
1,000,000 Common shares without nominal or par value		
1,000,000 Common shares with a par value of \$1 each		
Issued		
1 Common share without nominal or par value	<u>1</u>	<u>1</u>

12. COMMITMENTS

The company is renting its office premises in both Truro and Kentville. The long-term leases expire in August 2007 and April 2012 respectively. The annual rent is \$35,472 and \$110,102 respectively.

The company is leasing office equipment expiring October 2010, January 2011 and October 2011. The annual rent is \$5,876, \$984 and \$1,616 respectively.

The Board of Directors has made a commitment to the Soil and Crop Improvement Association of Nova Scotia to provide funding for an industry nutrient management chair position at \$25,000 per year for five years commencing in the year when the position is created.

13. ECONOMIC DEPENDENCE

The company has signed a Memorandum of Understanding with the Province of Nova Scotia to provide services as described in this document for a five year period ending in 2010. The annual fee to be paid for the services performed is \$2,200,000. Due to the company changing its fiscal year end to December 31 in the prior fiscal period, the annual fee from the Province of Nova Scotia reported as revenue for the nine month period ended December 31, 2005 was \$1,650,000.

14. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform with the financial statement presentation adopted for the current year. The reader should note that the amounts reported on the Statement of Earnings for the prior period cover the nine month period from April 1, 2005 to December 31, 2005 due to the company changing its fiscal year end from March 31 to December 31.

AGRAPOINT INTERNATIONAL INC.**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2006**

15. CHANGE IN ACCOUNTING POLICY

The company adopted the provisions of CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement on January 1, 2006 which address the classification, recognition and measurement of financial instruments.

The company is required to classify its financial assets and financial liabilities on the adoption date in one of the following categories:

- financial asset or liability held for trading
- held-to-maturity investments
- loans and receivables
- available-for-sale financial assets

The company has disclosed in the significant accounting policies note the method it will be following for recognizing and measuring financial instruments.

As a result of adopting these new standards, the company recorded an increase to its investments and its opening retained earnings of \$42,557 to record the investments held for trading at their fair market value on January 1, 2006. This adjustment reports the one-time cumulative effect of this change in accounting policy. Future adjustments due to market fluctuations will be recorded through the statement of earnings for investments held for trading as they are incurred.

AGRITECH PARK INCORPORATED
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

HEMMING WEIR CASEY

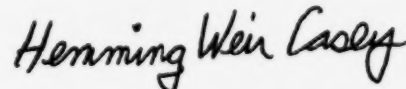
CHARTERED ACCOUNTANTS

Dale A. Saunders, CA, CBV
Myles W. Johnson, CATELEPHONE (902) 895-7480
FAX (902) 895-7499
14 Court Street, Suite 308
Truro NS B2N 3H7
www.hwcainc.ca**AUDITORS' REPORT**To the Shareholder of
AgriTECH Park Incorporated

We have audited the balance sheet of AgriTECH Park Incorporated as at March 31, 2007 and the statements of income and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Truro, Nova Scotia
May 23, 2007

Chartered Accountants

AGRITECH PARK INCORPORATED**BALANCE SHEET AS AT MARCH 31, 2007**

	ASSETS	<u>2007</u>	<u>2006</u>
CURRENT ASSETS			
Accounts receivable		\$ 34,065	\$ 36,697
DUE FROM NOVA SCOTIA DEPARTMENT OF AGRICULTURE (Note 5)		<u>113,909</u>	<u>-</u>
		<u>\$147,974</u>	<u>\$ 36,697</u>
	LIABILITIES		
DUE TO NOVA SCOTIA DEPARTMENT OF AGRICULTURE (Note 5)		<u>\$ -</u>	<u>\$ 68,434</u>
	SHAREHOLDER'S EQUITY (DEFICIENCY)		
CAPITAL STOCK (Note 6)		1	1
RETAINED EARNINGS (DEFICIT)		<u>147,973</u>	<u>(31,738)</u>
		<u>147,974</u>	<u>(31,737)</u>
		<u>\$147,974</u>	<u>\$ 36,697</u>

Approved by the Board

Director_____
Director

AGRITECH PARK INCORPORATED

STATEMENT OF INCOME AND RETAINED EARNINGS (DEFICIT)

YEAR ENDED MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
REVENUE		
Conference		
Meals	\$137,155	\$ 97,216
Lodging	84,974	67,612
Rental		
Facilities	176,764	132,896
Other	10,200	16,000
Sundry	<u>35,574</u>	<u>23,957</u>
	<u>444,667</u>	<u>337,681</u>
OPERATING EXPENSES		
Advertising	4,323	3,845
Catering services	125,956	92,575
Heat	113,290	100,593
Lights	37,988	36,063
Motor vehicle	1,989	5,046
Office and postage	10,494	7,199
Professional fees	3,756	3,000
Repairs and maintenance	182,848	89,590
Salaries and benefits	266,578	239,857
Security	6,090	2,054
Sundry	11,454	11,336
Supplies	8,915	6,929
Telecommunications	<u>33,184</u>	<u>17,895</u>
	<u>806,865</u>	<u>615,982</u>
Loss from operations before departmental recoveries and grants	(362,198)	(278,301)
Departmental recoveries and grants (Note 5)	<u>541,909</u>	<u>321,994</u>
NET INCOME FOR THE YEAR	179,711	43,693
Deficit, beginning of year	<u>(31,738)</u>	<u>(75,431)</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u>\$147,973</u>	<u>\$ (31,738)</u>

AGRITECH PARK INCORPORATED**STATEMENT OF CASH FLOWS****YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	\$179,711	\$ 43,693
(Increase) decrease in accounts receivable	2,632	(3,653)
Change in Nova Scotia Department of Agriculture balance (<i>Note 5</i>)	<u>(182,343)</u>	<u>(40,040)</u>
CASH FLOWS FROM OPERATING ACTIVITIES AND CASH, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

AGRITECH PARK INCORPORATED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

1. GOVERNING STATUS AND NATURE OF ACTIVITIES

The company, incorporated under the Nova Scotia Companies Act on December 9, 1997, operates a business development and agri-business centre in Bible Hill, Nova Scotia. In addition to offering conference facilities, AgriTECH Park's objective is to assist in the development of innovative products and services in the agricultural and environment sectors in Atlantic Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

The company's financial instruments consist of accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles may require the company's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

Capital Assets

The company applies the capitalization policies of the Province of Nova Scotia to assets and improvements purchased. No assets acquired by the company during the year meet the minimum guidelines for capitalization.

3. INCOME TAXES

The company is exempt from taxation under Section 149(1)(e) of the Income Tax Act.

4. ECONOMIC DEPENDENCE

The company receives significant operating contributions from, and is considered to be economically dependent on the Nova Scotia Department of Agriculture for its continued economic viability.

5. RELATED PARTY TRANSACTIONS

The company is related to the Nova Scotia Department of Agriculture, as the only common share of the company is held by the Deputy Minister of this department. Transactions between these related parties are departmental recoveries and grants in the amount of \$541,909 (2006 -\$321,994). Amounts due to the Nova Scotia Department of Agriculture are disclosed separately in the financial statements.

AGRITECH PARK INCORPORATED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

5. RELATED PARTY TRANSACTIONS *(Continued)*

The company is related to another company by reason of a common shareholder. Transactions between these related parties are facilities rental in the amount of \$35,472 (2006 - \$35,472). During the year, an amount of \$8,842 (2006 - \$8,842) was paid by the related party on a leasehold improvements receivable and the remaining balance receivable, included in accounts receivable, at March 31, 2007 is \$3,685 (2006 - \$12,527).

6. CAPITAL STOCK

	<u>2007</u>	<u>2006</u>
Authorized 50,000 Common shares		
Issued 1 Common share	<u>\$ 1</u>	<u>\$ 1</u>

Financial Statements of

**ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
OPERATING AS ANNAPOLIS VALLEY HEALTH**

March 31, 2007

Deloitte & Touche LLP
1969 Upper Water Street
Suite 1500
Purdy's Wharf Tower II
Halifax NS B3J 3R7
Canada

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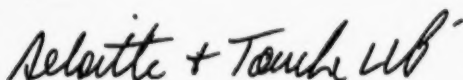
Independent Auditors' Report

To the Chair and Members of the Board of Directors of the
Annapolis Valley District Health Authority

We have audited the statement of financial position of the Annapolis Valley District Health Authority as at March 31, 2007 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Annapolis Valley District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Annapolis Valley District Health Authority as at March 31, 2007 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Halifax, Nova Scotia
June 15, 2007

**ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
OPERATING AS ANNAPOLIS VALLEY HEALTH****Table of Contents****March 31, 2007**

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Statement of Changes in Fund Balances	2
Statement of Operations	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-10

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
OPERATING AS ANNAPOLIS VALLEY HEALTH
Statement of Financial Position

March 31, 2007

	Operating Fund	Capital Fund	2007 Total	2006 Total
ASSETS				
Current				
Cash and cash equivalents	\$ 6,843,069	\$ 1,219,390	\$ 8,062,459	\$ 9,813,587
Accounts receivable (Note 3)	8,531,610	1,548,157	10,079,767	13,354,414
Inventory	1,305,942	-	1,305,942	1,181,058
Prepaid expenses	253,488	12,786	266,274	513,517
	16,934,109	2,780,333	19,714,442	24,862,576
Long-term assets (Note 4)	6,673,650	-	6,673,650	6,316,889
Property, plant and equipment (Note 5)	-	55,352,882	55,352,882	50,495,021
	\$ 23,607,759	\$ 58,133,215	\$ 81,740,974	\$ 81,674,486
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 7)	\$ 11,434,655	\$ 1,620,069	\$ 13,054,724	\$ 14,235,459
Current portion of long-term debt (Note 8)	-	8,052	8,052	16,174
Revenue received in advance	5,825,013	-	5,825,013	6,918,047
	17,259,668	1,628,121	18,887,789	21,169,680
Long-term debt (Note 8)	-	-	-	63,447
Employee future benefits (Note 13)	6,288,189	-	6,288,189	5,764,292
Deferred capital grants (Note 9)	-	55,961,936	55,961,936	54,074,007
	23,547,857	57,590,057	81,137,914	81,071,426
FUND BALANCES				
Restricted	-	38,161	38,161	38,161
Unrestricted	59,902	504,997	564,899	564,899
	59,902	543,158	603,060	603,060
	\$ 23,607,759	\$ 58,133,215	\$ 81,740,974	\$ 81,674,486

Commitments (Note 10)

APPROVED BY THE BOARD

.....Chair

**ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
OPERATING AS ANNAPOLIS VALLEY HEALTH****Statement of Changes in Fund Balances**

Year ended March 31, 2007

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>2007 Total</u>	<u>2006 Total</u>
Restricted fund balance				
Balance, beginning and end of year	\$ -	\$ 38,161	\$ 38,161	\$ 38,161
Unrestricted fund balances				
Balance, beginning of year	59,902	504,997	564,899	607,052
Deficiency of revenues over expenses	-	-	-	(42,153)
Balance, end of year	59,902	504,997	564,899	564,899
Total fund balances	\$ 59,902	\$ 543,158	\$ 603,060	\$ 603,060

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY OPERATING AS ANNAPOLIS VALLEY HEALTH

Statement of Operations

Year ended March 31, 2007

	Operating Fund	Capital Fund	2007 Total	2006 Total
Revenues				
Department of Health	\$ 84,860,181	\$ 36,836	\$ 84,897,017	\$77,321,071
Veterans Affairs Canada	2,205,884	-	2,205,884	2,310,000
Patient services	3,051,058	-	3,051,058	2,799,803
Program recoveries	8,052,151	-	8,052,151	7,656,020
Amortization of deferred capital grants	-	3,773,172	3,773,172	3,509,228
Other	308,701	11,430	320,131	266,125
	98,477,975	3,821,438	102,299,413	93,862,247
Expenses				
Addiction services	2,240,113	-	2,240,113	2,013,749
Administration	4,195,489	-	4,195,489	3,602,754
Amortization of property, plant and equipment	-	3,811,160	3,811,160	3,538,634
Clinical support	1,588,853	-	1,588,853	1,505,013
Community support	1,677,502	-	1,677,502	1,371,840
Diagnostic imaging	4,090,375	-	4,090,375	3,753,975
Emergency and ambulatory care	9,961,159	-	9,961,159	9,208,667
Employee future benefits	1,068,785	-	1,068,785	542,812
Facility support	9,466,463	-	9,466,463	9,126,411
Finance	887,782	-	887,782	916,519
Food and nutrition	4,316,425	-	4,316,425	4,006,219
Health information	2,327,702	-	2,327,702	2,397,611
Human resources	1,212,020	-	1,212,020	1,010,005
Information technology	2,027,053	-	2,027,053	1,939,251
Inpatient care	20,776,769	-	20,776,769	18,980,365
Interest on long-term debt	-	3,885	3,885	7,625
Laboratory	6,097,567	-	6,097,567	5,584,527
Materials management	2,671,922	-	2,671,922	2,465,058
Mental health	7,720,398	-	7,720,398	6,952,675
Operating suite	8,666,691	-	8,666,691	8,056,125
Pharmacy	1,428,507	-	1,428,507	1,085,871
Public health	2,414,793	-	2,414,793	1,867,446
Quality and patient safety	713,335	-	713,335	645,626
Rehabilitation	1,929,071	-	1,929,071	1,739,485
Sundry	999,201	6,393	1,005,594	1,586,137
	98,477,975	3,821,438	102,299,413	93,904,400
Deficiency of revenues over expenses	\$ -	\$ -	\$ -	\$ (42,153)

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY OPERATING AS ANNAPOLIS VALLEY HEALTH

Statement of Cash Flows

Year ended March 31, 2007

	Operating Fund	Capital Fund	2007 Total	2006 Total
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
Operating				
Deficiency of revenues over expenditures	\$ -	\$ -	\$ -	\$ (42,153)
Adjusted for:				
Amortization of property, plant and equipment	-	3,811,160	3,811,160	3,538,634
Amortization of deferred capital grants	-	(3,773,172)	(3,773,172)	(3,509,228)
Employee future benefits (Note 13)	1,068,785	-	1,068,785	542,812
Payment of employee future benefits (Note 13)	(544,888)	-	(544,888)	(408,987)
Changes in non-cash working capital items (Note 12)	(2,447,840)	3,571,077	1,123,237	804,962
	(1,923,943)	3,609,065	1,685,122	926,040
Financing				
Proceeds from capital grants (Note 9)	-	5,661,101	5,661,101	5,431,896
Repayment of long-term receivable	-	34,272	34,272	96,297
Repayment of long-term debt	-	(71,569)	(71,569)	(112,504)
	-	5,623,804	5,623,804	5,415,689
Investing				
Investment in long-term assets	(391,033)	-	(391,033)	(184,594)
Acquisition of property, plant and equipment	-	(8,669,021)	(8,669,021)	(8,470,477)
	(391,033)	(8,669,021)	(9,060,054)	(8,655,071)
NET CASH (OUTFLOW) INFLOW	(2,314,976)	563,848	(1,751,128)	(2,313,342)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,158,045	655,542	9,813,587	12,126,929
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,843,069	\$ 1,219,390	\$ 8,062,459	\$9,813,587
Supplemental cash flow information:				
Interest received	\$ 89,278	\$ 991	\$ 90,269	\$ 311

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY OPERATING AS ANNAPOLIS VALLEY HEALTH

Notes to the Financial Statements

March 31, 2007

1. DESCRIPTION OF ORGANIZATION

The Annapolis Valley District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The Annapolis Valley District Health Authority's mission: "Working together to support and improve the health of individuals and communities in the Annapolis Valley".

The facilities owned and operated by the Annapolis Valley District Health Authority are Annapolis Community Health Centre, AVH Chipman, Eastern Kings Memorial Community Health Centre, Soldiers Memorial Hospital and Valley Regional Hospital. In addition, the Annapolis Valley District Health Authority leases space to operate certain programs at the Western Kings Memorial Health Centre and other locations throughout Annapolis and Kings Counties for the delivery of certain programs and services and supports five (5) Community Health Boards.

The Annapolis Valley District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Fund accounting

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the Annapolis Valley District Health Authority's capital assets and special purpose endowment funds.

Revenue recognition

The Annapolis Valley District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY OPERATING AS ANNAPOLIS VALLEY HEALTH

Notes to the Financial Statements

March 31, 2007

2. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and money market investments.

Inventory

Inventories are recorded at the lower of average cost and replacement cost, and include medical/surgical, drugs, and other general inventory.

Property, plant and equipment

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Capital assets transferred from Western Regional Health Board are recorded at original cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 - 10%
Building and building service equipment	2.5 - 10%
Equipment	5 - 33%

Deferred capital grants

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

Employee future benefits

Employee future benefits are determined based on assumptions as outlined in Note 13 and recognized in the period in which benefits are earned by the employee.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the year then ended. Significant estimates used by management in preparing these financial statements include amounts estimated for final accounts receivable settlements from Veterans Affairs Canada, amounts estimated for accounts receivable from the Department of Health for wage contract settlements, allowances for doubtful accounts, inventory valuations, and the estimated useful life for certain items of property, plant and equipment. Actual results may differ from those estimates.

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY OPERATING AS ANNAPOLIS VALLEY HEALTH

Notes to the Financial Statements

March 31, 2007

3. ACCOUNTS RECEIVABLE

	2007			2006
	Operating Fund	Capital Fund	Total	Total
Department of Health				
- operating funding	\$ 5,636,972	\$ -	\$ 5,636,972	\$ 5,295,662
- capital grants	-	319,016	319,016	4,724,958
Veterans Affairs Canada	-	-	-	132,406
Patient care	1,030,881	-	1,030,881	1,120,475
HST rebates	310,549	275,867	586,416	563,348
Psychiatric recoveries	246,544	-	246,544	148,227
Trade	1,306,664	953,274	2,259,938	1,369,338
	\$ 8,531,610	\$ 1,548,157	\$ 10,079,767	\$ 13,354,414

4. LONG-TERM ASSETS

	2007			2006
	Operating Fund	Capital Fund	Total	Total
Payroll advances	\$ 297,159	\$ -	\$ 297,159	\$ 311,439
Employee future benefits	6,376,491	-	6,376,491	5,971,178
Fidelis House Society	-	-	-	34,272
	\$ 6,673,650	\$ -	\$ 6,673,650	\$ 6,316,889

5. PROPERTY, PLANT AND EQUIPMENT

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 51,884	\$ -	\$ 51,884	\$ 51,884
Land improvements	660,006	337,357	322,649	327,205
Building and building service equipment	75,008,146	27,272,425	47,735,721	43,114,194
Equipment	43,539,613	36,296,985	7,242,628	7,001,738
	\$ 119,259,649	\$ 63,906,767	\$ 55,352,882	\$ 50,495,021

6. CREDIT FACILITIES

The Annapolis Valley District Health Authority has available an operating line of credit with a Canadian chartered bank totalling \$5.6 million. As of March 31, 2007, interest charges on any overdraft accounts are prime less .75%. There was no amount on the operating line as at March 31, 2007.

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY OPERATING AS ANNAPOLIS VALLEY HEALTH

Notes to the Financial Statements

March 31, 2007

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007			2006
	Operating Fund	Capital Fund	Total	Total
Trade payables	\$ 1,052,354	\$ 92,687	\$ 1,145,041	\$ 1,579,662
Accrued liabilities	1,350,825	1,527,382	2,878,207	2,781,153
Vacation pay	4,690,573	-	4,690,573	4,571,895
Salary and benefits	4,026,671	-	4,026,671	4,980,430
Other	314,232	-	314,232	322,319
	<u>\$ 11,434,655</u>	<u>\$ 1,620,069</u>	<u>\$ 13,054,724</u>	<u>\$ 14,235,459</u>

8. LONG-TERM DEBT

	2007	2006
Nova Scotia Housing Development Corporation		
Interest at 7.13%, maturing December 1, 2028	\$ 8,052	\$ 79,621
Current portion	(8,052)	(16,174)
	<u>\$ -</u>	<u>\$ 63,447</u>

9. DEFERRED CAPITAL GRANTS

	2007	2006
Balance, beginning of year	\$ 54,074,007	\$ 52,151,339
Grants received for:		
Capital assets purchased	4,972,575	4,604,153
Future capital asset purchases	688,526	827,743
	<u>59,735,108</u>	<u>57,583,235</u>
Amortization of deferred capital grants	(3,773,172)	(3,509,228)
Balance, end of year	<u>\$ 55,961,936</u>	<u>\$ 54,074,007</u>

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY OPERATING AS ANNAPOLIS VALLEY HEALTH

Notes to the Financial Statements

March 31, 2007

10. COMMITMENTS

Leases and purchase commitments

The Annapolis Valley District Health Authority has committed funds from operations for the purchase of lab and medical supplies, occupancy and equipment leases. Estimated minimum lease payments and film purchases over the next five years are expected to be as follows:

2008	\$ 1,493,687
2009	1,060,718
2010	820,103
2011	178,547
2012	127,990
	<u>\$ 3,681,045</u>

11. PENSION PLAN

The Annapolis Valley District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was December 31, 2005, which showed an unfunded liability for the entire plan of \$nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2005. At that time there was an unfunded liability.

Annapolis Valley District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2007 was \$3,637,155 (2006 - \$3,112,375).

12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	2007			2006
	Operating Fund	Capital Fund	Total	Total
Accounts receivable	\$ (545,334)	\$ 3,819,981	\$ 3,274,647	\$ (2,335,782)
Inventory	(124,884)	-	(124,884)	63,268
Prepaid expenses	240,850	6,393	247,243	8,481
Accounts payable and accrued liabilities	(925,438)	(255,297)	(1,180,735)	1,604,964
Revenue received in advance	(1,093,034)	-	(1,093,034)	1,464,031
	<u>\$ (2,447,840)</u>	<u>\$ 3,571,077</u>	<u>\$ 1,123,237</u>	<u>\$ 804,962</u>

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY OPERATING AS ANNAPOLIS VALLEY HEALTH

Notes to the Financial Statements

March 31, 2007

13. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Annapolis Valley District Health Authority, upon retirement. The District participates in an unfunded benefit plan and accrues its obligations and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using "the projected benefit method pro-rated on service". In the current year the District became responsible for certain post retirement health benefits which are accrued and included in this liability.

The measurement date for the accrued benefit obligation, as calculated in the District's last actuarial valuation for retirement allowances was performed in December, 2005 and for post retirement health benefits was performed in April, 2006.

	2007	2006
Accrued benefit liability		
Accrued benefit obligation	\$ 5,230,446	\$ 5,207,933
Add unamortized actuarial experience gain	1,057,743	556,359
Accrued benefit liability on the statement of financial position	\$ 6,288,189	\$ 5,764,292
Net benefit costs recognized		
Current service costs	\$ 434,200	\$ 282,922
Interest cost	318,100	309,300
Current year amortized actuarial gain	(48,115)	(49,410)
Employee future benefit expense on the statement of operations	\$ 1,068,785	\$ 542,812
Payment of employee future benefits on the statement of cash flows	\$ (544,888)	\$ (408,987)

The discount rate used to accrue the benefit obligation and current service cost as at March 31, 2007 was 5.70% (2006 - 5.95%).

14. FINANCIAL INSTRUMENTS

Fair value

The reported values of financial instruments which consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and revenue received in advance approximate their fair values due to the near term maturity of these instruments.

Credit risk

The Annapolis Valley District Health Authority performs an evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2007.



**Annapolis Valley Regional
School Board
Financial Statements
March 31, 2007**

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Morse Brewster Lake

Chartered Accountants

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Auditor's Report**To the Chairman and Members of the****Annapolis Valley Regional School Board**

We have audited the statements of financial position, of **Annapolis Valley Regional School Board** as at March 31, 2007, and the statements of operations and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations, changes in net direct debt and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Berwick, Nova Scotia
June 6, 2007

Morse Brewster Lake

Chartered Accountants

Annapolis Valley Regional School Board
Statement of Financial Position
As at March 31, 2007

	2007	2006
Financial Assets		
Cash and Cash Equivalents		
Cash	\$ 2,254,945	\$ 2,857,641
School Based Funds (Note 2)	1,846,753	1,707,316
Cafeteria Funds	-	252,956
Total Cash and Cash Equivalents	\$ 4,101,698	\$ 4,817,913
Accounts Receivable		
Province of Nova Scotia	\$ 10,509,256	\$ 11,114,400
Government of Canada	622,590	673,986
Municipalities	39,882	12,034
Other	1,345,164	1,111,730
Due from Trust Funds	215,792	221,154
Total Financial Assets	\$ 16,834,382	\$ 17,951,217
Capital Assets		
New Book Value of Capital Assets (Note 1)	-	55,530,696
Total Financial and Capital Assets	\$ 16,834,382	\$ 73,481,913
Liabilities		
Accounts payable and accrued liabilities	\$ 1,572,195	\$ 1,723,469
Payables and Accruals - Government		
Province of Nova Scotia	17,221	224,978
Government of Canada	287	1,918
Municipalities	17,715	20,453
Other	4,300,345	4,725,849
Deferred Revenues	1,190,869	933,599
Due to Trusts	201,834	10,988
Employee pension, retirement & post employment benefits (Note 1)	6,048,264	7,860,297
Total Liabilities	\$ 13,348,730	\$ 15,501,551
Equity - Capital	-	55,530,696
Total Liabilities and Capital Equity	\$ 13,348,730	\$ 71,032,247
Net (debt)/surplus	\$ 3,485,652	\$ 2,449,667
Non-Financial assets		
Prepaid expenses	10,784	211,621
Tangible capital assets (Schedule E)	325,141	138,197
Accumulated surplus/(deficit) end of year	\$ 3,821,577	\$ 2,799,485
Committed Surplus		
School Budget Carry-over	338,640	\$ 363,409
Cafeteria Carry-over	102,514	
School Based Funds	1,846,753	1,960,272
Total Committed Surplus	\$ 2,287,907	\$ 2,323,681
Uncommitted Surplus	\$ 1,533,670	\$ 475,804
Trust Funds Under Administration (Note 3)		
Commitments (Note 4)		
On Behalf of the Board		

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Statement of Operations
For the Year Ended March 31, 2007

	2007 Budget	2007 Actual	2006 Actual
Revenue (Schedule A)			
Province of Nova Scotia	\$ 91,595,000	\$ 91,531,042	\$ 88,037,818
Government of Canada	1,149,167	1,328,944	1,107,996
Municipal Contributions	16,410,200	16,410,200	15,967,265
School Generated Funds (Note 2)		4,222,403	1,960,272
Other Revenues	2,998,572	3,964,898	3,242,086
Total Revenues	\$ 112,152,939	\$ 117,457,487	\$ 110,315,437
Expenses (Schedule B)			
Total Board Governance	\$ 350,706	\$ 316,629	\$ 349,163
Total Regional Management	3,187,776	3,129,364	2,922,772
Total School Management	13,871,013	14,463,549	11,046,448
Total Instruction	56,581,214	56,202,786	58,426,472
Total Student Support	16,411,588	16,253,846	14,166,824
Total Adult Education	1,150,361	1,197,353	1,016,447
Total Property Services	10,911,699	10,497,444	10,208,588
Total Student Transportation	7,783,545	7,546,660	7,311,876
Other Programs	2,673,483	2,277,762	2,714,469
School Generated Funds (Note 2)		4,082,966	
Interest Expense	-	163,100	253,100
Amortization Expense	70,767	50,980	10,791
Total Expenses	\$ 112,992,152	\$ 116,182,439	\$ 108,426,950
Annual Surplus/(deficit) before unusual items	\$ (839,213)	\$ 1,275,048	1,888,487
School Board surplus/(deficit) on an expense basis		\$ 1,275,048	\$ 1,888,487
Accumulated surplus/(deficit) beginning of year:			
Previously Reported		2,799,485	910,998
Previous yrs. restricted cash included in current year surplus		252,956	
Accumulated surplus as restated		2,546,529	910,998
Accumulated surplus/(deficit) end of year		\$ 3,821,577	\$ 2,799,485
Committed Surplus			
School Budget Carry-over		338,640	\$ 363,409
Cafeteria Carry-over		102,514	
School Based Funds		1,846,753	1,960,272
Uncommitted Surplus		\$ 1,533,670	\$ 475,804

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Statement of Change in Net (Debt)/Surplus
For the Year Ended March 31, 2007

	<u>2007</u>	<u>2006</u>
Net (debt)/surplus beginning of year	\$ 2,449,667	\$ 2,651,833
Changes in the Year		
Surplus, on an Expense Basis	1,275,048	1,888,487
Acquisition of tangible capital assets	(237,925)	(148,988)
Amortization of tangible capital asset	50,980	10,791
Decrease in prepaid expenses	200,837	(208,095)
Previous yrs. restricted cash included in current year surplus	(252,956)	(1,744,361)
Net (debt)/surplus end of year	<u>\$ 3,485,652</u>	<u>\$ 2,449,667</u>

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Statement of Cash Flow
For the Year Ended March 31, 2007

	<u>2007</u>	<u>2006</u>
Operating Transactions		
Annual surplus	\$ 3,821,577	\$ 2,799,485
Change in prepaid expenses	200,837	(208,095)
Change in deferred revenue	257,270	386,959
Change in accounts receivable	400,621	(1,506,027)
Change in accounts payable	(598,058)	2,885,946
Change in long-term debt	(1,812,033)	(255,393)
Previous yrs. restricted cash	(252,956)	(1,744,361)
included in current year surplus		
Cash Provided by Operating Transactions	<u>2,017,258</u>	<u>2,358,514</u>
Acquisition of Tangible Capital Assets	<u>(186,944)</u>	<u>(138,197)</u>
Increase(decrease) in cash and cash equivalents	1,830,314	2,220,317
Previous Year's Surplus as restated	(2,546,529)	(910,998)
Cash and cash equivalents at beginning of year	<u>4,817,913</u>	<u>3,508,594</u>
Cash and cash equivalents at end of year	<u>\$ 4,101,698</u>	<u>\$ 4,817,913</u>

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule A - Supplementary Details of Revenues
For the Year Ended March 31, 2007

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Revenue			
<u>Province of Nova Scotia:</u>			
Operating	\$ 73,188,438	\$ 73,189,181	\$ 75,580,442
Restricted	15,661,275	15,999,412	7,996,110
Capital	227,000	227,000	227,000
Other	1,848,847	1,149,407	1,926,767
Recoveries	689,440	966,042	554,890
Teachers Salary Accrual	-	-	1,752,609
Total Province of Nova Scotia	\$ 91,595,000	\$ 91,531,042	\$ 88,037,818
<u>Government of Canada</u>			
IA Northern Development	\$ 350,000	\$ 415,254	\$ 305,905
HRSDC	450,958	569,691	530,406
Secretary of State	348,209	343,999	271,685
Total Government of Canada	\$ 1,149,167	\$ 1,328,944	\$ 1,107,996
<u>Municipal contributions:</u>			
Mandatory	\$ 16,410,200	\$ 16,410,200	\$ 15,967,265
Total Municipal Contributions	\$ 16,410,200	\$ 16,410,200	\$ 15,967,265
<u>School Generated Funds</u>			
School Generated (Note 2)	\$ -	\$ 4,222,403	1,960,272
Total School Generated	\$ -	\$ 4,222,403	1,960,272
<u>Other Revenues:</u>			
Board Generated Other	\$ 1,908,656	\$ 1,197,169	\$ 1,726,429
Other Revenue Schools	-	1,570,010	410,111
Tuition Students	49,080	345,102	365,175
Registration	868,649	520,765	495,194
Rentals	2,187	21,673	27,532
Interest/Investments	170,000	246,446	154,215
Recoveries Non governmental	-	63,225	61,835
Sale of Assets	-	508	1,595
Total Other Revenues	\$ 2,998,672	\$ 3,964,898	\$ 3,242,086
Total Revenues	\$ 112,152,939	\$ 117,457,487	\$ 110,315,437

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule B - Supplementary Details of Expenses
For the Year Ended March 31, 2007

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Expenses:			
<u>Board Governance:</u>			
Board Members	\$ 228,245	\$ 198,931	\$ 237,058
Board Secretary	47,289	42,391	35,745
NSSBA & Other	75,172	75,307	76,360
Total Board Governance	\$ 350,706	\$ 316,629	\$ 349,163
<u>Regional Management:</u>			
Management Services	\$ 1,418,911	\$ 1,463,251	\$ 1,633,748
Financial Services	549,277	510,947	373,334
Human Resources Services	1,065,168	1,013,293	797,980
Communication Services	52,681	40,950	34,001
ITS - Regional	101,739	100,923	83,709
Total Regional Management	\$ 3,187,776	\$ 3,129,364	\$ 2,922,772
<u>School Management & Support:</u>			
School Management	\$ 6,896,885	\$ 8,161,520	\$ 6,421,475
Program & Curriculum Support	5,414,560	4,791,742	3,335,032
ITS - Site Specific	1,559,568	1,510,287	1,289,941
Total School Management	\$ 13,871,013	\$ 14,463,549	\$ 11,046,448
<u>Instructional & School Services:</u>			
Instruction	\$ 54,169,682	\$ 54,193,730	\$ 56,400,811
Guidance Services	1,292,534	1,004,515	1,016,156
Library Services	1,118,998	1,004,541	1,009,505
Total Instruction	\$ 56,581,214	\$ 56,202,786	\$ 58,426,472
<u>Student Support:</u>			
Program Management	\$ 107,409	\$ 108,897	\$ 98,460
Instruction	14,133,028	14,158,461	12,482,814
Program & Curriculum Support	2,171,151	1,986,488	1,585,550
Total Student Support	\$ 16,411,588	\$ 16,253,846	\$ 14,166,824

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule B - Supplementary Details of Expenses
For the Year Ended March 31, 2007

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
<u>Adult & Community Education:</u>			
Program Management	\$ 241,211	\$ 243,883	\$ 194,966
Instruction	909,150	953,470	820,852
Program & Curriculum Support	-	-	629
Total Adult Education	\$ 1,150,361	\$ 1,197,353	\$ 1,016,447
<u>Property Services:</u>			
Management Services	\$ 698,689	\$ 683,814	\$ 594,055
Custodial Services	3,457,850	3,127,641	3,250,040
Maintenance Services	6,328,160	6,321,029	5,965,564
Grounds Services	427,000	364,960	398,929
Total Property Services	\$ 10,911,699	\$ 10,497,444	\$ 10,208,588
<u>Student Transportation:</u>			
Management Services	\$ 332,134	\$ 347,809	\$ 309,716
Transportation (Board)	2,399,501	2,256,460	2,216,249
Maintenance (Board)	819,903	791,060	751,947
Transportation (Contract)	4,232,007	4,151,331	4,032,472
Site Maintenance	-	-	1,492
Total Student Transportation	\$ 7,783,545	\$ 7,546,660	\$ 7,311,876
Other Programs	\$ 2,673,483	\$ 2,277,762	\$ 2,714,469
School Based Funds	-	4,082,966	-
Interest Expense	-	163,100	253,100
Amortization Expense	70,767	50,980	10,791
Total Expenses	\$ 2,744,250	\$ 6,574,808	\$ 2,978,360
Total	\$ 112,992,162	\$ 116,182,439	\$ 108,426,950

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule D - Supplementary Details of Trusts and School Based Funds
For the Year Ended March 31, 2007

Trusts

	March 2006	Additions	Interest	Disbursements	March 2007
ARRA Library Trust	\$ 6,729		\$ 270		\$ 6,999
Atkinson Trust	342	465	29		836
AVRSB BD Mem Sch Fd		11,184	258	300	11,142
Raymond Banks Memorial	10,305		409	255	10,459
Barteau Trust	2,808		103	500	2,411
Bateman Trust	3,609	200	152		3,961
Beals Trust	402,747		15,994	6,900	411,841
Beattie Trust	10,793		428	270	10,951
Blackburn Trust	20	350	12	350	32
Borden Trust	3,486		140		3,626
Brannon Trust	771		29	50	750
Brazil, Duane Mem		10,000	125		10,125
Carter Trust	5,502		206	500	5,208
Charles Eaves Award		15,000	286		15,286
Clarke	6,685		264	180	6,769
Coldwell Trust	5,110		202	140	5,172
Cummings Trust	13,652	233	546	500	13,931
Dakin Trust	7,099		277	300	7,076
Dalton Trust	15,586		626		16,212
DeEll Trust	54,571		2,155	1,500	55,226
Evans Trust	797		29	150	676
Harvey	4,081		161	100	4,142
Haskeli Trust	25,572		1,026		26,598
Hibbard Trust	10,672		423	250	10,845
Horton Alumni	1,928		70	250	1,748
Hudgins Trust	410		16	10	416
Inglis Trust	21,188		834	585	21,437
Jones - BRES	5,688		228		5,916
Jones - BRHS	14,187		569		14,756
Johnson Trust	11,264	184	443	500	11,391
KCDSB Trust (Warner)	5,712	20	75	5,807	(0)
Lightfoot Trust	499		16	200	315
Lockhart Trust	19		1		20
Lyons Trust	4,669		187	125	4,731
MacFarlane	8,824		349	233	8,940
MacNutt Trust	37,053	500	1,481	1,000	38,034
Mitchell Trust	1,437		58		1,495
MRHS 40th Ann. Trust	16,381		648	450	16,579
Nelly Trust	445		17	8	454
Nixon Trust	6,540	250	264	250	6,804
Candice Parker Trust	4,979	125	195	500	4,799
Harry E. Parker Trust	5,197	500	221	200	5,718
Rena B. Parker Trust	37,090		1,469	1,000	37,559
Frank Pecora Mem Bursary	2,250	425	105		2,780
Quartermain Trust	771		31		802
Rainforth Trust	497		20		517
Leah Rhoddy Trust	5,293	18	66	5,377	0
Sasa Kovac Trust	3,026		112	500	2,638
Sinnot Trust	10,917		432	300	11,049
Terri Spinney Mem		1,367	48	500	915

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule D - Supplementary Details of Trusts and School Based Funds
For the Year Ended March 31, 2007

Earle Spicer Trust	22,064		873	610	22,327
Bill Wade Memorial	4,515	4,500	150	1,500	7,665
Worthylake Trust	15,830		631	1,500	14,961
Champlain Refresh	39,283	33,900	2,003	60,084	15,102
Horton Refresh	24,036	300,000	323	280,216	44,143
Northeast Kings Refresh	48,079	105,114	2,218	124,014	31,397
Pine Ridge Refresh	136,789	68,106	3,812	147,597	61,110
Champlain Capital Fund	4,638	1,595	182	527	5,888
Northeast Kings Capital Fund	(4,019)	4,947	2		930
Pine Ridge Capital Fund	10,126	3,205	348	3,166	10,513
Horton Capital Fund	44,660		1,791	170	46,281
Central Kings Technology Ed	12,545			7,500	5,045
West Kings Technology Ed	(5,257)	8,000		2,925	(182)
Total Trusts	\$ 1,150,490	\$ 570,188	\$ 44,438	\$ 659,849	\$ 1,105,267
Foundation Total	179,216	246,396	7,751	68,243	365,120
Total Trusts & Foundation	\$ 1,329,706	\$ 816,584	\$ 52,189	\$ 728,092	\$ 1,470,387

School Generated Funds

	March 31, 2006	Additions	Interest	Disbursements	March 31, 2007
Aldershot	\$ 25,400	\$ 66,087	\$ 444	\$ 64,447	\$ 27,484
Annapolis East	62,662	88,157	760	91,689	59,890
ARRA Special	38,836	61,090	650	52,940	47,636
AWEC Office	28,559	93,734	135	93,991	28,437
Avon View	83,619	315,556	-	293,053	106,122
Berwick	28,880	121,921	-	115,767	35,034
BRES	15,055	31,138	-	22,220	23,973
BRHS	74,125	93,734	682	89,096	79,445
Brooklyn	25,384	55,678	-	44,877	36,185
Cambridge	11,254	50,072	-	40,372	20,954
Central Kings	79,708	290,808	1,189	259,860	111,845
Champlain	8,732	44,651	154	42,835	10,702
Clark Rutherford	10,087	31,070	-	33,390	7,767
Coldbrook	57,776	98,145	6,053	100,848	61,126
Dr Arthur Hines	21,288	40,048	614	41,871	20,079
Dwight Ross	21,142	50,146	69	46,250	25,107
EMS	56,800	118,289	-	133,956	41,133
Falmouth	17,502	55,695	221	57,539	15,879
Gaspereau	31,436	55,498	-	73,255	13,679
Glooscap	26,688	60,092	-	59,538	27,242
Hantsport	6,310	62,474	-	67,177	1,807
Highbury Education	7,646	8,945	3	10,043	6,551
Horton	199,032	336,671	4,225	305,936	233,992
KCA	25,398	94,897	-	81,608	38,687
Kingston Dist	28,064	72,740	-	81,696	19,108
LE Shaw	15,935	23,827	-	21,185	18,577
Lawrencetown	23,435	39,737	-	37,518	25,654
Lawrencetown Ed. Ctr.	890	9,080	-	7,691	2,279
MRHS	135,237	189,177	4,597	212,450	116,561

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule D - Supplementary Details of Trusts and School Based Funds
For the Year Ended March 31, 2007

New Minas	17,224	58,729	-	44,894	31,059
Newport Stn	11,663	29,050	-	34,080	6,633
Northeast Kings	160,495	405,793	-	385,484	180,804
Pine Ridge	60,994	120,867	-	137,093	44,768
Port Williams	7,628	45,726	-	41,898	11,456
Somerset	16,254	58,632	156	66,104	8,938
St Mary's	32,964	60,584	409	54,095	39,862
Three Mile Pins	31,080	24,007	-	19,017	36,070
WHEC	-	2,552	-	720	1,832
West Hants	49,520	165,603	1,100	152,116	64,107
West Kings	55,013	364,101	-	351,961	67,153
Windsor EI	23,477	66,920	139	69,729	20,807
Windsor Forks	19,399	53,311	-	48,919	23,791
Wolfville School	54,725	85,771	-	93,758	46,738
Total School Generated Funds	\$ 1,707,316	\$ 4,200,803	\$ 21,600	\$ 4,082,966	\$ 1,846,753

The accompanying notes are an integral part of these financial statements.

Annapolis Valley Regional School Board
Schedule E - Supplementary Details of Tangible Capital Assets
As of March 31, 2007

Costs of Tangible Asset(s)

	Buildings	Vehicles	2007	2006
Opening Costs	\$ -	\$ 148,988	\$ 148,988	\$ -
Additions	176,303	61,622	237,925	148,988
Disposals				
Closing Costs	<u>\$ 176,303</u>	<u>\$ 210,610</u>	<u>\$ 386,913</u>	<u>\$ 148,988</u>

Accumulated Amortization(s)

Opening Balance	-	10,791	10,791	-
Disposals				
Amortization Expense		50,980	50,980	10,791
Closing Balance	<u>\$ -</u>	<u>\$ 61,771</u>	<u>\$ 61,771</u>	<u>\$ 10,791</u>

Note Book Value (NBV)	<u>\$ 176,303</u>	<u>\$ 148,839</u>	<u>\$ 325,142</u>	<u>\$ 138,197</u>
Opening Balance, April 1, 2006		138,197	138,197	
Closing Balance, March 31, 2007	<u>176,303</u>	<u>148,839</u>	<u>325,142</u>	<u>138,197</u>
Increase (decrease) In Net Book Value	<u>\$ 176,303</u>	<u>\$ 10,642</u>	<u>\$ 186,945</u>	<u>\$ 138,197</u>

The accompanying notes are an integral part of these financial statements.

**Annapolis Valley Regional School Board
Notes to the Financial Statements
March 31, 2007**

1. Summary of significant accounting policies

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Public Sector Accounting and Auditing Handbook for Federal, Provincial and Territorial Governments, of the Public Sector Accounting Board.

These financial statements have been prepared using the following significant accounting policies:

Revenues

Revenues are recorded on an accrual basis. The main components of revenue are funding from the Province of NS, Government of Canada and Municipal Contributions.

Expenses

Expenses are recorded on the accrual basis. Provisions are made for probable losses on accounts receivable, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined.

Liabilities

The Board contributes to Registered Retirement Savings Plans and Registered Pension Plans on behalf of the non-teaching employees. The Board's teachers are covered by a pension plan established by the Province pursuant to the Teacher's Pension Act.

During the 2000-2001 fiscal year the Province of Nova Scotia assumed full responsibility for accumulated liability associated with employee retirement allowances. School boards are responsible only for the current service cost of this benefit.

Net Debt

Net Debt represents the direct liabilities of the Board less financial assets.

Non Financial Assets

All capital acquisitions are now recorded using Tangible Capital Asset accounting. All non financial assets previously recorded that do not meet these guidelines have been removed from these statements.

Prepaid Expenses are cash disbursements for goods or services, other than Tangible Capital Assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the goods or service is used or consumed.

Accumulated Deficit/Surplus

Accumulated Deficit/Surplus represents the liabilities of the School Board less financial assets, and non financial assets. This represents the accumulated balance of net deficit/surplus arising from the operations of the Board.

**Annapolis Valley Regional School Board
Notes to the Financial Statements
March 31, 2007 (continued)**

Financial statement presentation

The financial statements of the Board have been prepared in accordance with the School Board Financial Handbook as issued by the Minister of Education March 31, 2005 pursuant to Article 62 of the Ministerial Education Act Regulations of the Province of Nova Scotia.

2. School Based Funds

The Board is required to include in its financial statements the financial activities of its school sites. To meet this requirement, the Board has instituted a new school based funds policy to promote appropriate internal controls, provided each site with a standard computer based accounting system and established common reporting standards for school based funds. The following is a summary of these financial activities, a site by site listing is provided in Schedule D.

March 31, 2006	Additions	Interest	Disbursements	March 31, 2007
\$1,707,316	\$4,200,803	\$21,600	\$4,082,966	\$1,846,753

(Student Council Funds are included in the School Based Funds totals. Cafeteria funds are no longer school based and are administered in the regional Financial System.)

3. Trust funds

The Annapolis Valley Regional School Board manages a number of trust funds primarily for the generation of scholarships and awards. A summary of the trusts and their activity is found in Schedule D of these financial statements. Effective April 1, 1997, the Board incorporated the activities of the former Kings County District School Board Foundation. These are now carried as a separate Trust Account.

4. Commitments

Facility Rental

The Annapolis Valley Regional School Board currently leases 21,858 sq. ft. of office and storage space from the Western Kings Memorial Health Centre to house the regional school board's administrative operations. The ten year lease agreement will expire in July 2007 and has been extended for a further five years to expire in July, 2012. Rental charges for 2007/2008 will be \$210,700.

5. Contingency

There are two claims outstanding against the Annapolis Valley Regional School Board. The outcome of these claims is not determinable and therefore no amounts have been recorded in the accounts of the Annapolis Valley Regional School Board. Any settlement resulting from the resolution of this claim will be treated as a charge to operations in the period the settlement occurs.

ASSURANCE AND ADVISORY
BUSINESS SERVICES

ASSURANCE SERVICES

Financial Statements

ART GALLERY OF NOVA SCOTIA

March 31, 2007

 **ERNST & YOUNG**

ART GALLERY OF NOVA SCOTIA
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MARCH 31, 2007

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AUDITORS' REPORT

To the Governors and Members of the
Art Gallery of Nova Scotia

We have audited the financial statements of the Art Gallery of Nova Scotia consisting of the following:

- | | |
|----------------------------|---|
| Art Gallery of Nova Scotia | - Combined Balance Sheet as at March 31, 2007 |
| | - Combined Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2007 |
| Gallery Fund | - Balance Sheet as at March 31, 2007 |
| | - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2007 |
| Endowment Fund | - Balance Sheet as at March 31, 2007 |
| | - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2007 |
| Acquisition Fund | - Balance Sheet as at March 31, 2007 |
| | - Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2007 |

These financial statements are the responsibility of the Gallery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Art Gallery of Nova Scotia derives revenues from donation receipts, special events, corporate campaigns, admissions and other income, the completeness of which is not susceptible of conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded revenues might be necessary to revenue, excess (deficiency) of revenue over expenditures for the year, or surplus (deficit).

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the revenue described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Art Gallery of Nova Scotia as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Canada
May 11, 2007

Ernst & Young LLP
Chartered Accountants

Art Gallery of Nova Scotia

COMBINED BALANCE SHEET

As at March 31

	2007 \$	2006 \$
ASSETS		
Current		
Cash [note 4]	166,194	55,237
Accounts receivable	163,764	259,419
Inventory	138,326	167,052
Prepays	62,581	60,919
	530,865	542,627
Investments [note 5]	1,802,834	1,815,144
	<u>2,333,699</u>	<u>2,357,771</u>
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	350,867	385,612
Deferred revenue	114,207	109,882
	<u>465,074</u>	<u>495,494</u>
Surplus (deficit)		
(Deficit) surplus - Gallery Fund	(8,107)	61,501
Surplus - Endowment Fund [note 4]	1,910,521	1,907,012
Deficit - Acquisition Fund	(33,789)	(106,236)
	<u>1,868,625</u>	<u>1,862,277</u>
	<u>2,333,699</u>	<u>2,357,771</u>

*Contingencies [note 7]**See accompanying notes*

On behalf of the Board:


 Governor


 Governor

Art Gallery of Nova Scotia

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

Year ended March 31

	Gallery Fund \$	Endowment Fund \$	Acquisition Fund \$	Total 2007 \$	Total 2006 \$
Revenue					
Operating	2,442,486	—	—	2,442,486	1,729,389
Programming	679,846	—	—	679,846	727,425
Gallery Shop (net)	37,789	—	—	37,789	425
Product Development (net)	20,736	—	—	20,736	26,181
Other	—	137,216	283,906	421,122	490,557
	3,180,857	137,216	283,906	3,601,979	2,973,977
Expenditures					
Salaries and benefits	1,158,507	—	—	1,158,507	890,347
Administration and Building Operations	833,242	32,707	54,047	919,996	1,011,706
Programming	922,603	—	—	922,603	784,208
Communications and Marketing	130,849	—	—	130,849	167,917
Western Branch	306,264	—	—	306,264	40,531
Acquisitions	—	—	157,412	157,412	289,699
	3,351,465	32,707	211,459	3,595,631	3,184,408
Excess (Expenditures over Revenue) Revenue over Expenditures	(170,608)	104,509	72,447	6,348	(210,431)
Surplus (deficit), beginning of year	61,501	1,907,012	(106,236)	1,862,277	2,072,708
Interfund transfers	101,000	(101,000)	—	—	—
(Deficit) surplus, end of year	(8,107)	1,910,521	(33,789)	1,868,625	1,862,277

Art Gallery of Nova Scotia
Gallery Fund

BALANCE SHEET

As at March 31

	2007 \$	2006 \$
ASSETS		
Current		
Cash	141,188	45,793
Accounts receivable	145,065	187,341
Due from Endowment Fund	73,062	73,062
Due from Acquisition Fund	12,777	33,957
Inventory	138,326	167,052
Prepaid expenses	62,581	60,918
	572,999	568,123
LIABILITIES		
Current		
Accounts payable and accrued liabilities	314,161	244,002
Deferred revenue	114,207	109,882
	428,368	353,884
<u>Due to Endowment Fund</u>	<u>152,738</u>	<u>152,733</u>
	581,106	506,617
<u>(Deficit) surplus</u>	<u>(8,107)</u>	<u>61,501</u>
	572,999	568,118

**Art Gallery of Nova Scotia
Gallery Fund**

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

Year ended March 31

	2007 \$	2006 \$
Operating Revenue		
Province of Nova Scotia – Operating Grant <i>(note 3)</i>	1,928,542	1,181,504
Admissions	216,349	284,231
Memberships	91,923	88,486
Donations	91,451	53,220
Rental recoveries	83,218	88,098
Other	31,003	33,850
	<u>2,442,486</u>	<u>1,729,389</u>
Programming Revenues		
Exhibitions	476,525	591,256
Education/Outreach	172,284	115,462
Special events	31,037	20,707
	<u>679,846</u>	<u>727,425</u>
Total Revenues	<u>3,122,332</u>	<u>2,456,814</u>
Expenditures <i>(Schedule 1)</i>		
Salaries and benefits	1,158,507	890,347
Administration and Building Operations	833,242	881,992
Programming	922,603	784,208
Communications and Marketing	130,849	167,917
Western Branch	306,264	40,531
Total Expenditures	<u>3,351,465</u>	<u>2,764,995</u>
Excess of operating expenditures over revenues	<u>(229,133)</u>	<u>(308,181)</u>
Excess of revenues over expenditures		
Gallery Shop <i>(Schedule 2)</i>	37,789	425
Product Development <i>(Schedule 3)</i>	20,736	26,181
Excess of expenditures over revenue for the year	<u>(170,608)</u>	<u>(281,575)</u>
Surplus, beginning of year	61,501	134,076
Contribution from Endowment Fund	101,000	209,000
(Deficit) surplus, end of year	<u>(8,107)</u>	<u>61,501</u>
<i>See accompanying notes</i>		

**Art Gallery of Nova Scotia
Endowment Fund**

BALANCE SHEET

As at March 31

	2007 \$	2006 \$
ASSETS [note 4]		
Current		
Cash	23,412	9,226
Accounts receivable	849	716
Due from Acquisition Fund	3,750	3,750
	28,011	13,692
Investments [note 5]	1,802,834	1,815,144
Due from Gallery Fund	101,738	152,738
	1,932,583	1,981,574
LIABILITIES AND SURPLUS		
Current		
Accounts payable	—	1,500
Due to Gallery Fund	22,062	73,062
	22,062	74,562
Surplus		
Restricted	410,112	394,398
Unrestricted	1,500,409	1,512,614
	1,910,521	1,907,012
	1,932,583	1,981,574

See accompanying notes



**Art Gallery of Nova Scotia
Endowment Fund**

**STATEMENT OF REVENUE, EXPENDITURES AND
SURPLUS**

Year ended March 31

	2007 \$	2006 \$
Revenue [note 4]		
Investment income	114,091	151,458
Gallery endowments	300	23,500
Life memberships	18,875	18,750
Restricted donations	3,950	6,328
	137,216	200,036
Expenditures [note 4]		
Trustee fees	21,811	21,975
Donor restricted projects	6,065	4,580
Administration	2,655	1,500
Promotion and public relations	2,176	1,297
	32,707	29,352
Excess of revenue over expenditures for the year	104,509	170,684
Surplus, beginning of year	1,907,012	1,960,328
Contribution to Gallery Fund	(101,000)	(209,000)
Contribution to Acquisition Fund	—	(15,000)
Surplus, end of year	1,910,521	1,907,012
Less: restricted surplus	(410,112)	(394,398)
Unrestricted surplus, end of year	1,500,409	1,512,614

See accompanying notes

**Art Gallery of Nova Scotia
Acquisition Fund**

BALANCE SHEET

As at March 31

	2007 \$	2006 \$
ASSETS		
Current		
Cash	1,594	219
Accounts receivable	17,850	54,442
Due from Product Development	7,500	7,500
	26,944	62,161
LIABILITIES AND DEFICIT		
Current		
Accounts payable	36,706	122,191
Deferred Revenue	—	1,000
Due to Endowment	3,750	3,750
Due to Gallery Fund	20,277	41,456
	60,733	168,397
Deficit	(33,789)	(106,236)
	26,944	62,161

See accompanying notes

Art Gallery of Nova Scotia
Acquisition Fund

STATEMENT OF REVENUE, EXPENDITURES AND DEFICIT

Year ended March 31

	2007 \$	2006 \$
Revenue		
Donations:		
Art Sales and Rental Society	22,000	51,850
Other	171,366	117,995
Friends of the Gallery	5,325	2,000
Grants [note 3]	30,000	118,576
AGNS Appeal	5,700	100
Patron Dinner	49,430	—
Interest income	85	—
	283,906	290,521
Expenditures		
Acquisitions	157,412	289,699
Appraisal and professional fees	46,215	76,377
Shipping	6,912	23,700
Bank charges	75	252
Miscellaneous	845	33
	211,459	390,061
Excess of revenue over expenditures (expenditures over revenue)		
for the year	72,447	(99,540)
Deficit, beginning of year	(106,236)	(21,696)
Contribution from Endowment Fund	—	15,000
Contribution from Product Development	—	—
Deficit, end of year	(33,789)	(106,236)

See accompanying notes

Art Gallery of Nova Scotia**NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

1. Purpose of the Organization

The Art Gallery of Nova Scotia's ("AGNS") mandate is to preserve the province's unique visual and cultural history through the acquisition, conservation and display of art, and the provision of art education to learners of all ages.

The Art Gallery of Nova Scotia is registered as a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the AGNS must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the AGNS, the accounts of the AGNS are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Governors or various funding authorities.

For financial reporting purposes, the accounts have been classified into the following three groupings:

The *AGNS Gallery Fund* supports the day to day operations of the Provincial Gallery including all programming, exhibitions, development, public relations, conservation, and collections management.

The purpose of the *AGNS Acquisition Fund* is to purchase works of art for the Provincial Collection and cover costs associated with acquiring these works.

The *AGNS Endowment Fund* exists to generate income to help support the operations of the Provincial Gallery. The investments are managed by a professional fund manager and the Investment Committee is responsible for monitoring the fund on behalf of the Board of Governors.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

2. Significant Accounting Policies (cont'd)**Deferral method**

Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Endowment contributions are reported as direct increases in net assets. All other contributions are reported as revenue of the current period.

Inventory

Inventory is valued at the lower of cost, determined on an average cost basis, and net realizable value.

Investments

Investments are recorded at the lower of cost and market. Income is recognized on the settlement date.

Financial instruments

The differences between the carrying values and the fair market values of the primary financial instruments are not material due to the short-term maturities and, or credit terms of those instruments.

Measurement uncertainty

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates.

Revenue recognition

Revenue from pledges, donations and life memberships is recognized when the cash is received. All investment income and other revenue is recognized on the accrual basis of accounting.

Acquisitions

Acquisitions of works of art, including donated works, become the property of the Province of Nova Scotia. Accordingly, acquisitions paid for by the Art Gallery of Nova Scotia are expensed in the year acquired. Acquisitions expensed in the current year amounted to \$157,412 (2006 - \$289,699).

Other income

Other income includes revenue from rent, rental spaces and advertising.

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

2. Significant Accounting Policies (cont'd)

Contributed goods and services

Volunteers contributed approximately 25,000 hours this year to assist the Art Gallery of Nova Scotia in carrying out its mandate. Also, the Province of Nova Scotia provides the AGNS with use of its premises at no cost. Because of the difficulty in determining the fair value, contributed goods and services are not recognized in the financial statements.

Statement of cash flows

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

3. Government Assistance

During the year the Art Gallery of Nova Scotia recognized revenue from provincial, federal and other grants which are recorded in the statement of revenue and expenditures as revenue from the Province, sponsorships or grants as applicable:

	2007 \$	2006 \$
Gallery Fund:		
Nova Scotia Department of Tourism, Culture and Heritage	1,928,542	1,181,504
Canada Council for the Arts	145,000	150,000
Federal Department of Canadian Heritage	24,659	16,996
Halifax Regional Municipality	50,000	25,000
Canadian Museum Association	2,250	6,750
Cultural Human Resources Council	—	1,432
Department of Education	25,000	1,453
Nova Scotia Department of Tourism, Culture and Heritage	30,000	30,409
Province of Nova Scotia	25,000	—
	2,230,451	1,413,544
Acquisition Fund:		
Canada Council for the Arts	30,000	30,000
Federal Department of Canadian Heritage	—	88,576
	30,000	118,576
	2,260,451	1,532,120

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

4. Endowment Fund

Endowment Fund donations and bequests are allocated to the Endowment Fund together with investment income thereon. The income of the fund, or a portion thereof as determined by the Board of Governors, after a balance of \$500,000 has been accumulated shall be available for the purpose of:

- a) the acquisition of artworks for the permanent collection;
- b) the expansion of exhibition and art education programs; and
- c) other special projects.

The funds which will be placed in the Endowment Fund will be:

- a) donations designated as such by the donor;
- b) special types of donations which are stipulated to go to the Fund, such as Life Member's fees; and
- c) any funds specifically designated by the Board of Governors.

Expenses relating to the activities of the Endowment Fund will be charged to the Endowment Fund.

5. Investments

The investments included in the Art Gallery of Nova Scotia's financial statements are comprised of the following:

	2007		2006	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Endowment Fund				
Common Equity	1,051,089	1,587,988	1,088,452	1,544,663
Short-Term Notes	18,372	18,372	—	—
Bonds and Debentures	733,373	759,438	726,692	751,991
	1,802,834	2,365,798	1,815,144	2,296,654

Art Gallery of Nova Scotia

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

6. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

7. Contingencies

The Art Gallery of Nova Scotia may be allocated damages and costs which may arise from a claim against the Province of Nova Scotia, relating to a Phase II Reconstruction contract in 1997. The case went to trial in November 2006 and is awaiting judgment. Management believes the claim against the Province of Nova Scotia to be without merit and the amount, if any, to be allocated to AGNS by the Province in the event of a loss to be undeterminable. Accordingly, the AGNS has not recorded a liability in these financial statements.

Art Gallery of Nova Scotia
Gallery Fund

Schedule 1

SCHEDULE OF EXPENDITURES

Year ended March 31

	2007 \$	2006 \$
Salaries and Benefits		
Salaries and employee benefits	1,158,507	890,347
	1,158,507	890,347
Administration		
Stationery and postage	39,104	39,981
Travel	24,987	35,227
Telephone	25,775	29,930
Equipment rental	13,150	14,677
Professional fees	18,500	24,500
Memberships	4,480	5,113
Technology	8,350	21,288
Bank charges	8,317	8,874
Miscellaneous	5,442	4,486
	148,105	184,076
Building Operations		
Utilities	242,343	208,251
Security	180,001	199,178
Building maintenance and cleaning	124,640	117,395
Climate control	65,640	99,536
Insurance	63,476	63,740
Elevator maintenance	9,037	9,816
	685,137	697,916
Programming		
Exhibitions	732,633	612,816
Education and Outreach	182,103	156,030
Collection management	7,867	15,362
	922,603	784,208
Communications and Marketing		
Development/public relations	106,510	128,114
Printing and publications	24,339	39,803
	130,849	167,917
Western Branch		
Salaries and benefits	61,552	—
Capital costs	91,512	—
Building maintenance	70,446	38,442
Programming	56,056	—
Travel	14,098	1,306
Other	12,600	783
	306,264	40,531
Total expenditures	3,351,465	2,764,995

See accompanying notes

**Art Gallery of Nova Scotia
Gallery Shop**

Schedule 2

SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

	2007 \$	2006 \$
Revenue		
Art and craft sales	193,730	222,003
Art and craft sales on consignment	52,567	70,404
Books, notes and posters	35,102	52,648
	281,399	345,055
Cost of sales	140,714	195,847
Gross profit	140,685	149,208
Expenditures		
Salaries and employee benefits	90,629	106,644
Office and administration	12,267	42,139
	102,896	148,783
Excess of gross profit over expenditures for the year	37,789	425

See accompanying notes

**Art Gallery of Nova Scotia
Product Development**

Schedule 3

SCHEDULE OF REVENUE AND EXPENDITURES

Year ended March 31

	2007 \$	2006 \$
Revenue	52,870	53,259
Cost of sales	20,354	18,015
Gross profit	32,516	35,244
Expenditures		
Salaries and employee benefits	5,125	4,768
Promotional	2,576	2,932
Office and administration	1,893	1,106
Royalties	2,186	257
	11,780	9,063
Excess of gross profit over expenditures for the year	20,736	26,181

See accompanying notes

**BioScience Enterprise
Centre Incorporated
Financial Statements**

March 31, 2007

Grant Thornton 

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Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Shareholder of
BioScience Enterprise Centre Incorporated

We have audited the balance sheet of **BioScience Enterprise Centre Incorporated** as at March 31, 2007 and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
June 1, 2007

Grant Thornton LLP
Chartered Accountants

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BioScience Enterprise Centre Incorporated

Statements of Earnings and Deficit

Year Ended March 31	2007	2006
Revenue		
Rent and amortization of deferred leasehold contribution	\$ 353,604	\$ 287,524
Amortization of government contributions	309,308	285,922
Business services	191,470	178,431
Government assistance	-	41,923
Other	<u>2,814</u>	<u>7,458</u>
	<u>857,196</u>	<u>801,258</u>
Expenses		
Advertising and promotion	1,475	1,776
Communications	36,828	38,013
Depreciation	309,751	286,178
Information resources	611	604
Interest and bank charges	244	748
Materials	15,420	11,919
Miscellaneous	10,167	7,146
Outside services	21,456	57,840
Professional development	7,145	9,785
Rent	43,088	43,088
Repairs and maintenance	24,508	35,965
Salaries and benefits	253,727	246,047
Travel	704	4,446
Utilities	<u>130,916</u>	<u>117,719</u>
	<u>856,040</u>	<u>861,274</u>
Net earnings (loss)	\$ <u>1,156</u>	\$ <u>(60,016)</u>
(Deficit) retained earnings, beginning of the year	\$ (54,743)	\$ 5,273
Net earnings (loss)	<u>1,156</u>	<u>(60,016)</u>
Deficit, end of year	\$ <u>(53,587)</u>	\$ <u>(54,743)</u>

See accompanying notes to the financial statements.

March 31

2006

Cash and cash equivalents	\$ 57,988	\$ 63,874
Government assistance receivable	-	131,439
Inventory	9,126	9,126
Other receivables	47,679	33,539
Capital assets (Note 3)	<u>496,350</u>	<u>803,975</u>
	\$ 611,143	\$ 1,041,953

Payables and accruals	\$ 158,449	\$ 278,481
Deferred leasehold contribution	3,766	6,392
Deferred government contributions	<u>502,514</u>	<u>811,822</u>
	<u>664,729</u>	<u>1,096,695</u>

Capital stock (Note 5)	1	1
Deficit	<u>(53,587)</u>	<u>(54,743)</u>
	<u>(53,586)</u>	<u>(54,742)</u>
	\$ 611,143	\$ 1,041,953

On behalf of the Board

David M. Janora Director

Director

3

BioScience Enterprise Centre Incorporated

Statement of Cash Flows

Year Ended March 31

2007

2006

(Decrease) increase in cash and cash equivalents

Operating

Net earnings (loss)	\$ 1,156	\$ (60,016)
Depreciation	309,751	286,178
Amortization of government contributions	<u>(309,308)</u>	<u>(285,922)</u>
	1,599	(59,760)
Changes in non-cash operating working capital		
Receivables	117,299	97,759
Payables and accruals	<u>(120,032)</u>	<u>(21,769)</u>
	<u>(1,134)</u>	<u>16,230</u>

Financing

Deferred leasehold contribution	(2,626)	(3,025)
Government assistance to finance capital assets	<u>-</u>	<u>160,446</u>
	<u>(2,626)</u>	<u>157,421</u>

Investing

Purchase of capital assets	<u>(2,126)</u>	<u>(161,982)</u>
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Net (decrease) increase in cash and cash equivalents	(5,886)	11,669
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Cash and cash equivalents

Beginning of year	<u>63,874</u>	<u>52,205</u>
End of year	<u>\$ 57,988</u>	<u>\$ 63,874</u>

See accompanying notes to the financial statements.

BioScience Enterprise Centre Incorporated

Notes to the Financial Statements

March 31, 2007

1. Nature of operations

The Company developed and leases an incubation facility to be a catalyst for the bio-life science industry sector. The Company is exempt from income taxes under Section 149 of the Income Tax Act.

2. Significant accounting policies

(a) Capital assets

Capital assets are recorded at cost and depreciated as follows:

Computer equipment	30%, declining balance;
Equipment and furniture	20%, declining balance;
Building improvements and leaseholds	Term of lease, 2.5 years remaining at beginning of year

(b) Government assistance

The portion of government assistance used for the acquisition of capital assets is recorded as deferred government contributions and recognized as income on the same basis as the related assets are amortized. The operating portion of government assistance is recognized as income in the year received.

(c) Revenue recognition

Rent revenue is recorded as earned and includes monthly rent from tenants. Business services revenue includes recoveries from tenants for utilities, photocopies, and other administrative services which are recorded as earned. Recoveries from tenants for improvements made to their premises are recorded as deferred leasehold contributions and amortized over the life of the lease.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits. Bank borrowings are considered to be financing activities.

(e) Use of estimates

In preparing these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

BioScience Enterprise Centre Incorporated

Notes to the Financial Statements

March 31, 2007

2. Summary of significant accounting policies (continued)

(f) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, and payables and accruals. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, except for the payable to InNOVAcorp for which fair value was not readily determinable.

3. Capital assets		<u>2007</u>		<u>2006</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building improvements	\$ 631,752	\$ 523,214	\$ 108,538	\$ 180,895
Equipment	65,877	52,016	13,861	17,327
Computer equipment	38,772	35,709	3,063	4,376
Furniture	99,218	65,346	33,872	42,340
Leaseholds	<u>1,599,410</u>	<u>1,262,394</u>	<u>337,016</u>	<u>559,037</u>
	<u>\$ 2,435,029</u>	<u>\$ 1,938,679</u>	<u>\$ 496,350</u>	<u>\$ 803,975</u>

4. Related party transactions

<u>Entity</u>	<u>Relationship</u>	<u>Sales To</u>	<u>Purchases From</u>	<u>Year End Payable</u>
InNOVAcorp	Sister	\$ 4,104	\$ 261,795	\$ 106,578
Waterfront Development Corporation Limited	Sister	\$ -	\$ 43,088	\$ -

Transactions with these companies are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The balance payable to InNOVAcorp is non-interest bearing and has arisen from cash advances to fund company operations.

BioScience Enterprise Centre Incorporated

Notes to the Financial Statements

March 31, 2007

5. Capital stock	<u>2007</u>	<u>2006</u>
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Authorized:

100,000 common shares with no par value

Issued and outstanding:

1 common share	\$ <u>1</u>	\$ <u>1</u>
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6. Commitments

The Company is committed to lease land and buildings from the Waterfront Development Corporation Limited, a sister company. The lease requires annual minimum rent of \$43,088 to October 2008.



Financial Statements of

**CAPE BRETON DISTRICT
HEALTH AUTHORITY**

Year ended March 31, 2007

CAPE BRETON DISTRICT HEALTH AUTHORITY

Financial Statements

Year ended March 31, 2007

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AUDITORS' REPORT

To the Chairperson and Members of the Board of
Cape Breton District Health Authority

We have audited the statement of financial position of Cape Breton District Health Authority as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

MGM & Associates

Chartered Accountants

Sydney, Canada

June 15, 2007

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006 (Restated)
Assets		
Current assets:		
Cash	\$ 7,868,059	\$ 7,031,079
Accounts receivable (note 3)	12,129,185	15,431,701
Inventories (note 5)	3,032,388	2,954,164
Prepaid expenses	1,085,222	657,830
	<u>24,114,854</u>	<u>26,074,774</u>
Capital assets (note 6):		
Cost	292,758,154	281,295,069
Less accumulated amortization	<u>138,750,650</u>	<u>129,418,571</u>
	154,007,504	151,876,498
Other receivables (note 8):		
Employee future benefits	16,496,804	15,534,700
Retirement health benefits	<u>2,333,900</u>	<u>-</u>
	18,830,704	15,534,700
	<u>\$ 196,953,062</u>	<u>\$ 193,485,972</u>

Liabilities, Deferred Contributions and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 23,289,506	\$ 21,488,527
Deferred revenue	<u>4,100,713</u>	<u>5,284,035</u>
	27,390,219	26,772,562
Other liabilities (note 8):		
Employee future benefits	16,496,804	15,534,700
Retirement health benefits	<u>2,333,900</u>	<u>-</u>
	18,830,704	15,534,700
Deferred contributions related to capital assets (note 9)	150,853,702	151,176,329
Net assets (deficiency):		
Unrestricted (deficiency)	(3,275,365)	(697,788)
Investment in capital assets (note 10)	<u>3,153,802</u>	<u>700,169</u>
	(121,563)	2,381
Contingencies (note 12)		
Commitments (note 13)		
	<u>\$ 196,953,062</u>	<u>\$ 193,485,972</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Net patient income:		
Provincial Plan	\$ 191,472,444	\$ 177,811,633
Other	14,205,430	15,531,252
Medical service insurance	5,368,619	5,203,439
Net differential	1,959,606	2,012,142
Dietary recoveries	1,536,743	1,509,415
Miscellaneous	1,041,134	521,150
Interest income	429,882	249,070
Referred in work	43,114	109,521
	216,056,972	202,947,622
Expenditures:		
Nursing inpatient services	74,639,968	71,674,689
Support services	54,812,241	52,044,121
Diagnostic and therapeutic services	38,137,079	35,463,246
Ambulatory care services	39,470,607	35,502,248
Addiction services	4,633,516	4,241,244
Public health	3,747,257	3,332,093
Education	620,986	581,504
	216,061,654	202,839,145
Excess of revenue over expenditures (expenditures over revenue) before below noted items	(4,682)	108,477
Amortization of deferred contributions related to capital assets (note 10 (b))	9,212,817	9,048,377
Amortization of capital assets (note 10 (b))	(9,332,079)	(9,048,377)
Excess of revenue over expenditures (expenditures over revenue)	\$ (123,944)	\$ 108,477

See accompanying notes to financial statements.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	Unrestricted	Investment in capital assets	Total 2007	Total 2006 (restated)
Balance, beginning of year				
As previously reported	\$ (464,499)	\$ 700,169	\$ 235,670	\$ 127,193
Adjustment of prior years (note 2)	(233,289)	—	(233,289)	(233,289)
	(697,788)	700,169	2,381	(106,096)
Excess of revenue over expenditures (expenditures over revenue)	(4,682)	(119,262)	(123,944)	108,477
Net change in investment in capital assets (note 10)	(2,572,895)	2,572,895	—	—
Balance, end of year	\$ (3,275,365)	\$ 3,153,802	\$ (121,563)	\$ 2,381

See accompanying notes to financial statements.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for the 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures (expenditures over revenue)	\$ (123,944)	\$ 108,477
Items not involving cash:		
Amortization of capital assets	9,332,079	9,048,377
Amortization of deferred contributions related to capital assets	(9,212,817)	(9,048,377)
Change in non-cash operating working capital:		
Decrease in accounts receivable	3,302,516	9,320,594
Increase in inventories	(78,224)	(239,977)
Increase in prepaid expenses	(427,392)	(258,284)
Increase (decrease) in accounts payable and accrued liabilities	1,800,979	(7,738,841)
Increase (decrease) in deferred revenue	(1,183,322)	1,709,347
	3,409,875	2,901,316
Financing and investing activities:		
Purchases of capital assets	(11,463,085)	(5,520,884)
Additions to deferred contributions related to capital assets	8,890,190	5,356,301
	(2,572,895)	(164,583)
Increase in cash	836,980	2,736,733
Cash, beginning of year	7,031,079	4,294,346
Cash, end of year	\$ 7,868,059	\$ 7,031,079
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	\$ -	\$ 450
Interest received	425,066	258,208

See accompanying notes to financial statements.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

The Health Authority's principal activity is to operate and manage designated hospitals and provide other health related activities to the residents of Cape Breton.

1. Significant accounting policies:

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies are summarized as follows:

(a) Revenue recognition:

The Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(b) Inventories:

Inventories are valued at the lower of cost and replacement cost.

(c) Capital assets:

Capital assets are stated at cost less accumulated amortization and amortized on the straight-line basis using the following annual rates:

Asset	Rates
Land improvements	5%
Buildings and service equipment	2% - 5%
Major equipment	5% - 20%

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

1. Significant accounting policies (continued):

(d) Employee future benefits:

The employee future benefit obligations and current employee future benefit expense are recorded in the Statement of Financial Position and Statement of Operation, respectively. These obligations have been agreed to be funded by the Province of Nova Scotia, and accordingly, a corresponding receivable has been recorded from the Department of Finance.

i) Retirement allowance/public service awards

Per Union Collective Agreements, employees are entitled to a payment of one week's salary, to certain maximums, for every year of full-time service that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an Actuarial Valuation for all government departments, government agencies and boards.

ii) Retirement health benefits:

As a result of recent CAW and CUPE union negotiations, certain retirement health benefits will be cost shared between the employees and District Health Authorities.

(e) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation of accounts receivable, inventories, carrying amount of capital assets and assessments of legal contingencies. Actual results could differ from those estimates.

2. Adjustment of prior years:

Management has determined that the financial statements originally prepared as at and for the year ended March 31, 2005 require restatement to correct the manner of accounting for revenue received for specific purposes.

As a result of the adjustment, deferred revenue at March 31, 2005 is increased by \$233,289 together with a corresponding decrease in the unrestricted net assets (deficiency).

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

3. Accounts receivable:

	2007	2006
Patients, medical service insurance, Level II Care, veterans	\$ 3,209,509	\$ 3,607,897
Harmonized sales tax	1,586,775	1,232,696
Hospital Foundations (note 11)	1,385,894	970,373
Sundry	1,575,661	1,726,168
Department of Health (note 4):		
Nova Scotia Hospital Information System	309,594	569,107
Vacation accrual	2,279,331	2,202,063
Capital funding	422,507	1,500,000
Other	1,126,852	1,922,789
Contract settlement	94,866	1,464,994
Retirement payouts	43,831	184,352
Addiction Services and Public Health	94,365	51,262
	<u>\$ 12,129,185</u>	<u>\$ 15,431,701</u>

4. Accounts with the Department of Health:

The Health Authority has the following accounts with the Department of Health:

	2007	2006
Accounts receivable (payable):		
Employee future benefits (note 8)	\$ 18,830,704	\$ 15,534,700
Nova Scotia Hospital Information System	309,594	569,107
Vacation accrual	2,279,331	2,202,063
Capital funding	422,507	1,500,000
Other	1,126,852	1,922,789
Contract settlement	94,866	1,464,994
Retirement allowance payouts	43,831	184,352
Addiction Services and Public Health	94,365	51,262
New hospital construction	(610,240)	(645,240)
	<u>\$ 22,591,810</u>	<u>\$ 22,784,027</u>

5. Inventories:

	2007	2006
Drugs	\$ 1,336,409	\$ 1,217,293
Medical and surgical	568,711	531,610
Food	88,133	85,206
General	1,039,135	1,120,055
	<u>\$ 3,032,388</u>	<u>\$ 2,954,164</u>

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

6. Capital assets:

	2007		2006	
	Cost	Accumulated Amortization	Net book value	Net book value
Land	\$ 532,958	\$ -	\$ 532,958	\$ 532,959
Land improvements	3,867,062	2,222,126	1,644,936	1,825,417
Buildings and service equipment	199,621,470	66,809,454	132,812,016	135,868,902
Equipment	88,736,664	69,719,070	19,017,594	13,649,220
	\$ 292,758,154	\$ 138,750,650	\$ 154,007,504	\$ 151,876,498

7. Accounts payable and accrued liabilities:

	2007	2006
Accounts payable	\$ 13,630,132	\$ 12,517,384
Accrued salaries:		
Salaries	6,638,561	6,229,984
Vacation pay accrual	2,410,573	2,095,919
Department of Health, new hospital construction	610,240	645,240
	\$ 23,289,506	\$ 21,488,527

8. Other receivables/liabilities:

a) Employee future benefits:

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on service as required under section 3250 of the PSAB handbook. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable is recorded on the books for the same amount.

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Cape Breton District Health Authority upon retirement. The most recent actuarial valuation was for the year ended December 31, 2005. Actuarial liabilities as at March 31, 2007 were extrapolated from the results of the December 31, 2005 actuarial valuation.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

8. Other receivables/liabilities (continued):

a) Employee future benefits (continued):

Cape Breton District Health Authority has provided for retirement allowances as follows:

	2007	2006
Accrued benefit liability		
Balance, beginning of year	\$ 15,534,700	\$ 12,737,831
Current service cost	890,400	965,800
Interest cost	1,015,000	1,059,300
Plan amendment	-	1,942,700
Amortization of experience loss	339,904	337,801
Estimated fiscal payments for employees	(1,283,200)	(1,160,000)
Other adjustments (benefits paid differential)	-	(348,732)
Balance, end of year	\$ 16,496,804	\$ 15,534,700

Reconciliation to funding status

Funding status - plan deficit	\$ 15,469,000	\$ 18,766,000
Unamortized net actuarial gain (loss)	1,027,804	(3,231,300)
	\$ 16,496,804	\$ 15,534,700

Employee future benefits expense

Current service cost	\$ 890,400	\$ 965,800
Interest cost	1,015,000	1,059,300
Plan amendment	-	1,942,700
Amortization of experience loss	339,904	337,801
Other adjustments (benefits paid differential)	-	(348,732)
	\$ 2,245,304	\$ 3,956,869

The significant actuarial assumptions adopted in measuring the Authority's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2007:

	Retirement allowance
Discount rate	5.70%
Retirement % at age 65	50.00%
Average age of employees	45.90
Average age of services	12.00
Future mortality rate	No pre-retirement mortality assumed
Rate of compensation increase	2.65%-3.65%

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

8. Other receivables/liabilities (continued):

a) Employee future benefits (continued):

All accumulated liabilities from the retiring allowance program of the Cape Breton District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2007.

b) Retirement health benefits:

Retirement Health Benefits paid to employees upon retirement are actuarially determined. The retirement health benefit value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on service as required under section 3250 of the PSAB handbook. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable is recorded on the books for the same amount.

The Department of Finance engaged a consultant to conduct an actuarial valuation of the post-retirement health subsidy negotiated between CUPE and CAW, and the District Health Authorities. The results are based on an actuarial valuation for accounting purposes conducted as at April 1, 2006. Actuarial liabilities as at March 31, 2007 were extrapolated from the results of the actuarial valuation.

Cape Breton District Health Authority has provided for retirement health benefits as follows:

	2007	2006
Accrued benefit liability		
Balance, beginning of year	\$ -	\$ -
Current service cost	111,100	-
Interest cost	122,900	-
Plan amendment	2,101,900	-
Estimated fiscal payments for employees	(2,000)	-
Balance, end of year	\$ 2,333,900	\$ -
Reconciliation to funding status		
Funding status – plan deficit	\$ (2,333,900)	\$ -

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

8. Other receivables/liabilities (continued):

b) Retirement health benefits (continued):

	2007	2006
Employee future benefits expense		
Current service cost	\$ 111,100	\$ -
Interest cost	122,900	-
Plan amendment	2,101,900	-
Other adjustments (benefits paid differential)	(2,000)	-
	\$ 2,333,900	\$ -

The significant actuarial assumptions adopted in measuring the Authority's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2007:

	Retirement Health Benefits
Discount rate	5.70%
Number of employees CAW and CUPE	940
Retirement % at age 65	80.00%
Average age of employees	45.70
Average service	14.80
Future mortality rate	UP 94 projected to 2015

All accumulated liabilities from the post-retirement Health Subsidy for CUPE and CAW of the Cape Breton District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2007.

9. Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the period are as follows:

	2007	2006
Balance, beginning of year	\$ 151,176,329	\$ 154,868,405
Additional contributions received	8,890,190	5,356,301
Less amounts amortized to revenue	(9,212,817)	(9,048,377)
	\$ 150,853,702	\$ 151,176,329

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

10. Investment in capital assets:

a) Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	\$ 154,007,504	\$ 151,876,498
Amounts financed by:		
Deferred contributions	150,853,702	151,176,329
	\$ 3,153,802	\$ 700,169

b) Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	\$ 9,212,817	\$ 9,048,377
Amortization of capital assets	(9,332,079)	(9,048,377)
	\$ (119,262)	\$ -
Net change in investment in capital assets:		
Capital assets acquired	\$ 11,463,085	\$ 5,520,884
Amounts funded by deferred contributions	(8,890,190)	(5,356,301)
	\$ 2,572,895	\$ 164,583

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

11. Due to/from Foundations:

The Health Authority receives donations from the Cape Breton Regional Hospital Foundation, Northside Hospital Charitable Foundation, New Waterford Consolidated Charitable Foundation, Glace Bay Healthcare Corporation Charitable Foundation, Buchanan Memorial Hospital Foundation, Sacred Heart Hospital Foundation, Victoria County Memorial Hospital Charitable Foundation and Inverness Consolidated Memorial Hospital Foundation. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

As at March 31, 2007 the following amounts were due from the Foundations with comparative figures:

	2007	2006
Cape Breton Regional Hospital Foundation	\$ 461,520	\$ 265,625
Northside Hospital Charitable Foundation	17,523	13,932
Inverness Consolidated Memorial Hospital Foundation	150,105	9,000
Buchanan Memorial Hospital Foundation	645,241	645,241
Sacred Heart Hospital Foundation	50,463	4,051
New Waterford Hospital Foundation	59,444	18,001
Victoria County Memorial Hospital Foundation	1,598	3,282
Glace Bay Healthcare Corporation Charitable Foundation	-	11,241
	\$ 1,385,894	\$ 970,373

12. Contingencies:

The Health Authority has been named a defendant in several lawsuits.

The outcome of the matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligation arising from these lawsuits.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

13. Commitments:

The Authority leases premises under operating leases which expire from 2008 to 2017 with minimum annual lease payments and aggregate lease payments as follows:

	Minimum annual lease payments	Aggregate lease payments
Board of Trustees of St. Andrews United Church	\$ 28,030	\$ 182,195
Nova Scotia Power Inc.	322,175	3,168,055
Aneal Virick and Ajay Virick	43,425	74,112
Pembroke Realties	45,500	185,792
Pembroke Realties	73,440	201,960
Sydney Medical Holdings	86,850	282,263
Sydney Medical Holdings	32,219	115,450
Sydney Airport Authority	13,500	41,625
Senator's Corner Development Ltd.	56,350	112,700
Alexander Gillis	16,800	36,400
Health Park	85,650	763,820
Health Park	23,457	134,876
Kate Muir	10,200	23,800

In addition, the Authority leases various other smaller properties and storage facilities with annual lease payments of approximately \$57,053. These lease agreements are renewed on a yearly or monthly basis.

14. Fair value of financial instruments:

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments.

15. Comparative figures:

Certain of the 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2007.

CAPE BRETON-VICTORIA
REGIONAL SCHOOL BOARD

FINANCIAL STATEMENTS

MARCH 31, 2007

ROACH PERRY ANDERSON

Chartered Accountants



63 Charlotte Street
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Nova Scotia, B1P 6H1

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AUDITORS' REPORT

To the Chairperson and Board Members
Cape Breton-Victoria Regional School Board
George Street
Sydney, Nova Scotia

We have audited the statement of financial position of the Cape Breton-Victoria Regional School Board as at March 31, 2007, and the related statements of operations, surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Cape Breton-Victoria Regional School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with all school boards in Nova Scotia, the Board is required to report school based funds in its financial activities, the completeness of which is not subject to satisfactory audit verification. Accordingly, we were not able to determine whether any adjustments might be necessary to school based funds, revenue, expenditure, excess of revenue over expenditure, assets and surplus.

In our opinion, except for the effect of adjustments, if any, we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of school based funds referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Cape Breton-Victoria Regional School Board as at March 31, 2007, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles as described in Note 1.

Sydney, Nova Scotia
June 28, 2007

A handwritten signature in black ink, reading 'Roach Perry Anderson'. The signature is written in a cursive, flowing style.

Chartered Accountants

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**STATEMENT OF FINANCIAL POSITION****MARCH 31, 2007**

<u>ASSETS</u>		
Financial Assets	<u>2007</u>	<u>2006</u>
Cash and cash equivalents		
General	\$ 3,596,206	\$ 5,858,846
School based funds (Note 11)	<u>1,354,500</u>	<u>1,140,296</u>
	4,950,706	6,999,142
Accounts Receivable		
Province of Nova Scotia (Note 3)	8,238,092	5,046,720
First Nation	889,024	395,158
Government of Canada (Note 4)	1,027,726	499,574
Other	<u>940,768</u>	<u>532,930</u>
	11,095,610	6,474,382
Prepaid expenses	719,318	716,322
Other Assets		
Deferred Service Awards (Note 5)	4,304,551	5,060,234
Capital Assets (Note 6)	149,787	76,399
Restricted Assets		
Cash and investments - Scholarships	<u>548,504</u>	<u>536,682</u>
	<u>\$ 21,768,476</u>	<u>\$ 19,863,161</u>
 <u>LIABILITIES</u>		
Liabilities		
Payables and Accruals - Trade	\$ 6,188,883	\$ 1,816,357
Teachers Salary Payable	2,431,734	3,860,821
Non-Teaching Vacation Pay Payable	848,292	848,292
Other Salary Payable	<u>1,198,275</u>	<u>1,328,799</u>
	10,667,184	7,854,269
Payables and Accruals - Government		
Province of Nova Scotia	95,016	49,398
Government of Canada	31,938	4,327
Municipalities	<u>30,841</u>	<u>14,494</u>
	157,795	68,219
Deferred Revenues	3,070,931	2,766,939
Other		
Teachers' Training Fund	50,000	50,000
Service Awards	4,304,551	5,060,234
Scholarship Trust Funds	<u>548,504</u>	<u>536,682</u>
	<u>4,903,055</u>	<u>5,646,916</u>
Total Liabilities	18,798,965	16,336,343
 <u>EQUITY</u>		
ACCUMULATED SURPLUS	<u>2,969,511</u>	<u>3,526,818</u>
	<u>\$ 21,768,476</u>	<u>\$ 19,863,161</u>

ON BEHALF OF THE BOARD

Chairperson_____
Board Member

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**STATEMENT OF OPERATIONS**
YEAR ENDED MARCH 31, 2007

	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>
Revenue (Schedule A)			
Province of Nova Scotia	\$116,862,525	\$119,812,841	\$111,732,392
Government of Canada	1,247,000	1,361,630	1,293,115
Municipal Contributions	12,053,100	12,053,100	11,831,592
Other Revenues	3,801,629	3,879,715	4,011,741
School based funds (Note 11)	-	5,109,130	4,398,022
Surplus - prior year	<u>2,386,522</u>	<u>2,163,520</u>	<u>-</u>
	136,350,776	144,379,936	133,266,862
Expenditures (Schedule B)			
Board Governance	341,639	293,354	316,897
Regional Management	2,959,379	2,954,108	2,746,666
School Management & Support	14,931,778	14,122,284	12,649,386
Instructional & School Services	68,453,531	67,939,281	67,143,519
Student Support	21,003,266	20,213,957	17,422,559
Adult & Community Education	859,834	842,082	776,139
Property Services	18,270,403	22,277,113	15,672,524
Student Transportation	6,304,347	6,362,114	5,905,237
Other Programs	3,186,001	2,793,849	3,559,699
Prior Year Deficit	-	-	248,554
Tangible capital asset amortization	40,598	80,655	41,138
School based funds (Note 11)	<u>-</u>	<u>4,894,926</u>	<u>4,606,276</u>
	<u>136,350,776</u>	<u>142,773,723</u>	<u>131,088,594</u>
Excess of Revenue over Expenditures	\$ <u>-</u>	\$ <u>1,606,213</u>	\$ <u>2,178,268</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**STATEMENT OF ACCUMULATED SURPLUS**
YEAR ENDED MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
Accumulated Surplus, Beginning of Year, as previously reported	\$ 3,526,818	\$(248,554)
Accounting changes (Note 2)	<u>-</u>	<u>1,348,550</u>
Opening balance as restated	3,526,818	1,099,996
Accumulated Surplus (Deficit) Transferred to Current Operations	(2,163,520)	<u>248,554</u>
	1,363,298	1,348,550
Excess of Revenue over Expenditures	<u>1,606,213</u>	<u>2,178,268</u>
Accumulated Surplus, End of Year	\$ <u>2,969,511</u>	\$ <u>3,526,818</u>
Accumulated Surplus consisting of:		
Unrestricted	\$ 1,615,011	\$ 2,386,522
Internally restricted funds		
School based funds	<u>1,354,500</u>	<u>1,140,296</u>
	\$ <u>2,969,511</u>	\$ <u>3,526,818</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**STATEMENT OF CASH FLOWS**
YEAR ENDED MARCH 31, 200720072006

Cash provided by (used in)

Operating activities

Excess of revenue over expenditures

\$ 1,606,213

\$ 2,178,268

Non-cash items

Tangible capital asset amortization

80,655

41,138

Prior year's deficit (surplus)

(2,163,520)248,554

Cash from (used in) operating activities

(476,652)

2,467,960

Change in non-cash operating working capital

(Increase) decrease in accounts receivable

(4,621,228)

554,658

Increase in prepaid expenses

(2,996)(571,026)

Increase (decrease) in accounts payable trade

4,372,526

(55,585)

Increase (decrease) in salaries payable

(1,559,611)

625,351

Increase (decrease) in payables and accruals - Government

89,576

(1,367,704)

Increase in deferred revenue

303,9921,456,923(1,894,393)

3,110,577

Investing activities

Purchase of tangible capital assets

(154,043)

-

Other adjustments (Note 2)

-1,348,550

Increase (decrease) in cash

(2,048,436)

4,459,127

Cash position, beginning of year

6,999,1422,540,015

Cash position, end of year

\$ 4,950,706\$ 6,999,142

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**SCHOLARSHIP FUND BALANCE SHEET****MARCH 31, 2007****ASSETS**

	<u>2007</u>	<u>2006</u>
Cash and investments	<u>\$548,504</u>	<u>\$536,682</u>

EQUITY

Rossetti Scholarship	\$163,995	\$161,266
Townsend Scholarship	1,041	1,040
McDonagh Scholarship	5,463	5,354
Panagiotakos Scholarship	9,284	9,175
McQuarrie Scholarship	3,142	3,144
Annie Hall Scholarship	1,977	1,965
C.J.C.B. Scholarship	4,494	4,494
Daniel Munroe Scholarship	3,115	3,071
John D. MacLeod Scholarship	1,041	1,027
Annie Bell Grady Memorial	20,668	19,883
T.L. Sullivan Memorial	2,095	2,065
Adult High Scholarship	44	244
O'Connell	154,157	145,058
Mary Elizabeth Brennan Scholarship	2,408	2,367
William Hilchie Memorial	3,128	3,079
Isabel MacDermid Memorial	3,530	3,527
Wendell & Diane Coldwell Memorial	2,660	3,042
Jon David Corbett	3,134	3,089
Leonard Matheson	1,452	1,417
Ellen Dunn Balah	4,402	4,238
George MacKay Bursary	141,688	143,068
Minor Hockey	11,600	11,635
Fine Arts	<u>3,986</u>	<u>3,434</u>
	<u>\$548,504</u>	<u>\$536,682</u>

ON BEHALF OF THE BOARD

_____ Chairperson

_____ Board Member

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

STATEMENT OF CONTINUITY OF SCHOLARSHIP FUND **YEAR ENDED MARCH 31, 2007**

	<u>Rossetti</u>	<u>Townsend</u>	<u>McDonagh</u>	<u>Panagiotakos</u>	<u>McQuarrie</u>	<u>Annie Hall</u>	<u>CICB</u>	<u>Munro</u>	<u>MacLeod</u>	<u>Grady</u>	<u>Sullivan</u>	<u>Adult High School</u>	<u>O'Connell</u>
Balance, beginning of year	\$ 161,266	\$ 1,040	\$ 5,354	\$ 9,175	\$ 3,144	\$ 1,965	\$ 4,494	\$ 3,071	\$ 1,027	\$ 19,883	\$ 2,065	\$ 244	\$ 145,058
Deposit	-	-	-	-	-	-	-	-	-	-	-	-	4,850
Interest earned	<u>4,229</u>	<u>41</u>	<u>209</u>	<u>359</u>	<u>138</u>	<u>77</u>	<u>-</u>	<u>119</u>	<u>39</u>	<u>785</u>	<u>80</u>	<u>-</u>	<u>5,797</u>
	165,495	1,081	5,563	9,534	3,282	2,042	4,494	3,190	1,066	20,668	2,145	244	155,705
Scholarship awarded	<u>1,500</u>	<u>40</u>	<u>100</u>	<u>250</u>	<u>140</u>	<u>65</u>	<u>-</u>	<u>75</u>	<u>25</u>	<u>-</u>	<u>50</u>	<u>200</u>	<u>1,548</u>
Balance, end of year	<u>\$ 163,995</u>	<u>\$ 1,041</u>	<u>\$ 5,463</u>	<u>\$ 9,284</u>	<u>\$ 3,142</u>	<u>\$ 1,977</u>	<u>\$ 4,494</u>	<u>\$ 3,115</u>	<u>\$ 1,041</u>	<u>\$ 20,668</u>	<u>\$ 2,095</u>	<u>\$ 44</u>	<u>\$ 154,157</u>

	<u>Brennan</u>	<u>Hilchie</u>	<u>MacDermid</u>	<u>Coldwell</u>	<u>Corbett</u>	<u>Matheson</u>	<u>Dunn Balah</u>	<u>MacKay</u>	<u>Minor Hockey</u>	<u>Fine Arts</u>	<u>2007 Total</u>	<u>2006 Total</u>
Balance, beginning of year	\$ 2,367	\$ 3,079	\$ 3,527	\$ 3,042	\$ 3,089	\$ 1,417	\$ 4,238	\$ 143,068	\$ 11,635	\$ 3,434	\$ 536,682	\$ 388,899
Deposit	-	-	-	-	-	-	-	-	-	550	5,400	145,878
Interest earned	<u>91</u>	<u>119</u>	<u>153</u>	<u>118</u>	<u>120</u>	<u>55</u>	<u>164</u>	<u>1,570</u>	<u>465</u>	<u>2</u>	<u>14,730</u>	<u>9,165</u>
	2,458	3,198	3,680	3,160	3,209	1,472	4,402	144,638	12,100	3,986	556,812	543,942
Scholarship awarded	<u>50</u>	<u>70</u>	<u>150</u>	<u>500</u>	<u>75</u>	<u>20</u>	<u>-</u>	<u>2,950</u>	<u>500</u>	<u>-</u>	<u>8,308</u>	<u>7,260</u>
Balance, end of year	<u>\$ 2,408</u>	<u>\$ 3,128</u>	<u>\$ 3,530</u>	<u>\$ 2,660</u>	<u>\$ 3,134</u>	<u>\$ 1,452</u>	<u>\$ 4,402</u>	<u>\$ 141,688</u>	<u>\$ 11,600</u>	<u>\$ 3,986</u>	<u>\$ 548,504</u>	<u>\$ 536,682</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

The Cape Breton-Victoria Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system serving the Cape Breton Regional Municipality and the Municipality of the County of Victoria. The Board is registered as a charitable organization under the Income Tax Act and, therefore, is exempt from income tax and may issue official receipts to donors for income tax purposes.

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector which, for purposes of the Cape Breton-Victoria Regional School Board's financial statements, are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

Revenues

Revenues are recognized on an accrual basis. Grants received, donations and fees collected in advance of the provision or use of related services are deferred. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal Contributions.

Each year, contributions by volunteers support the delivery of certain programs within schools. Due to the difficulty in determining or otherwise estimating the value of these contributions and because these services are not otherwise purchased, contributed services are not quantified and recognized in these financial statements.

Expenditures

Expenses are recorded on the accrual basis and include the cost of supplies inventory purchased during the year. Provisions are made for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are revised annually.

2. ACCOUNTING CHANGES

- (a) During the fiscal year ended March 31, 2007, the Board adopted the recommendations of PSAB. As a result, the Board was required to recognize school based funds which were not previously reported. An adjustment of \$1,348,550 to the surplus and the opening cash balance was recorded in the March 31, 2007 fiscal year.

3. ACCOUNTS RECEIVABLE, PROVINCE OF NOVA SCOTIA

	<u>2007</u>	<u>2006</u>
TCA Capital	\$ 3,785,511	\$ 990,433
Teachers' Salary Accrual	2,352,000	2,352,000
Non-Teaching Vacation Pay Accrual	848,291	848,291
Information Economy Initiative	71,093	229,486
International Student Program	231,760	-
Etoile de l'Acadie Project	324,515	-
Gas Tax Rebate	178,298	57,651
P - 3 Technology Refresh	-	204,378
Sabbaticals	-	36,096
Other	446,624	328,385
	<u>\$ 8,238,092</u>	<u>\$ 5,046,720</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

4. ACCOUNTS RECEIVABLE, GOVERNMENT OF CANADA

	<u>2007</u>	<u>2006</u>
Harmonized sales tax	\$ <u>1,027,726</u>	\$ <u>499,574</u>

5. DEFERRED SERVICE AWARDS

Beginning April 1, 2002, the Province of Nova Scotia assumed responsibility for the payment of Service Awards pursuant to the two Cape Breton Victoria Local NSTU collective agreements. The Province has determined the actuarial liability for future service award payment to be recorded on the books of school boards.

6. CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write off the assets over their estimated useful lives as follows:

Service vehicles - 35% diminishing balance

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2007</u>	<u>Net 2006</u>
Service vehicles	\$ <u>334,869</u>	\$ <u>185,082</u>	\$ <u>149,787</u>	\$ <u>76,399</u>

7. DEFERRED TEACHERS' SALARIES

Under the terms of the teachers' contract, the School Board withholds a portion of certain eligible teachers' salaries and deposits it with the Nova Scotia Teachers Credit Union. These amounts are subsequently withdrawn by the teachers in a year when they are on leave of absence. As at March 31, 2007, the Board had \$ 489,633 (\$ 559,291 at March 31, 2006) of such funds on deposit together with a corresponding liability to these teachers which amounts have not been included in these financial statements.

8. PENSION PLANS

The Board's teachers are covered by a pension plan established and administered by the Province pursuant to the Teachers' Pension Act.

The Board's non-teaching staff is covered by a money-purchase pension plan.

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

9. INSURANCE

The Board is a member of the School Insurance Exchange, which provides all insurance coverage, except for fleet insurance, which is contracted to a private carrier.

10. RELATED PARTY TRANSACTIONS

These financial statements do not include certain expenditures paid on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- P-3 schools and facilities leases and operating costs, and
- Payments for the teachers' pension plans and medical premiums.

11. SCHOOL BASED FUNDS

These financial statements include funds arising from certain school and student activities that are controlled and administered locally by each school, but for which the Board is accountable. Revenue from school based funds is recognized as the funds are received.

	<u>2007</u>	<u>2006</u>
Changes in cash held by schools are as follows:		
Opening balance	\$1,140,296	\$1,348,550
Additions to school based funds	5,109,130	4,398,022
School funded activities	(4,894,926)	(4,606,276)
Closing balance	<u>\$1,354,500</u>	<u>\$1,140,296</u>

12. COMMITMENTS

The Board has entered into agreements to lease buildings and equipment for various periods until 2012. The annual rent payable for the buildings and equipment is as follows:

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
2008	\$ 91,822	\$ 131,295	\$ 223,117
2009	-	104,804	104,804
2010	-	81,569	81,569
2011	-	68,381	68,381
2012	-	5,046	5,046

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**SCHEDULE A**
SUPPLEMENTARY DETAILS OF REVENUE
YEAR ENDED MARCH 31, 2007

	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>
<u>Province of Nova Scotia</u>			
Operating	111,229,000	111,203,769	99,959,130
Restricted	4,035,925	3,125,312	9,264,091
Capital	1,002,600	5,057,098	910,560
Other	-	-	88,082
Special Programs & Projects	-	-	1,205,349
Grants	<u>595,000</u>	<u>426,662</u>	<u>305,180</u>
Total Province of Nova Scotia	<u>\$ 116,862,525</u>	<u>\$ 119,812,841</u>	<u>\$ 111,732,392</u>
<u>Government of Canada</u>			
IA Northern Development	1,100,000	1,180,178	1,161,922
Secretary of State	<u>147,000</u>	<u>181,452</u>	<u>131,193</u>
Total Government of Canada	<u>\$ 1,247,000</u>	<u>\$ 1,361,630</u>	<u>\$ 1,293,115</u>
<u>Other Revenues</u>			
Board Generated - Other	3,201,179	3,041,915	3,461,248
Tuition - Students	305,000	296,532	292,181
Rentals	75,450	88,001	28,057
Investment Interest	<u>220,000</u>	<u>453,267</u>	<u>230,255</u>
Total Other Revenue	<u>\$ 3,801,629</u>	<u>\$ 3,879,715</u>	<u>\$ 4,011,741</u>
School based funds	<u>\$ -</u>	<u>\$ 5,109,130</u>	<u>\$ 4,398,022</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**SCHEDULE B**
SUPPLEMENTARY DETAILS OF EXPENDITURES
YEAR ENDED MARCH 31, 2007

	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>
<u>Board Governance</u>			
Board Members	134,000	139,731	126,130
Board Secretary	45,218	35,344	55,199
NSSBA Dues	<u>162,421</u>	<u>118,279</u>	<u>135,568</u>
Total Board Governance	<u>\$ 341,639</u>	<u>\$ 293,354</u>	<u>\$ 316,897</u>
<u>Regional Management</u>			
Management Services	1,373,808	1,231,669	1,422,298
Financial Services	1,084,934	1,128,646	881,169
Human Resource Services	404,019	490,645	359,280
Communication Services	71,618	78,312	64,911
ITS Regional	<u>25,000</u>	<u>24,836</u>	<u>19,008</u>
Total Regional Management	<u>\$ 2,959,379</u>	<u>\$ 2,954,108</u>	<u>\$ 2,746,666</u>
<u>School Management & Support</u>			
School Management	10,691,695	10,613,634	10,593,837
Program & Curriculum Support	4,035,647	3,329,231	1,990,438
ITS Site Specific	<u>204,436</u>	<u>179,419</u>	<u>65,111</u>
Total School Management	<u>\$ 14,931,778</u>	<u>\$ 14,122,284</u>	<u>\$ 12,649,386</u>
<u>Instructional & School Services</u>			
Instruction	64,874,716	64,757,689	64,176,574
Guidance Services	2,607,438	2,255,490	2,456,765
Library Services	921,377	873,580	458,674
ITS Instructional	<u>50,000</u>	<u>52,522</u>	<u>51,506</u>
Total Instructional & School Services	<u>\$ 68,453,531</u>	<u>\$ 67,939,281</u>	<u>\$ 67,143,519</u>
<u>Student Support</u>			
Program Management	304,554	289,364	221,398
Instruction	15,547,728	13,626,119	13,788,678
Program & Curriculum Support	<u>5,150,984</u>	<u>6,298,474</u>	<u>3,412,483</u>
Total Student Support	<u>\$ 21,003,266</u>	<u>\$ 20,213,957</u>	<u>\$ 17,422,559</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

SCHEDULE B (CONT'D)
SUPPLEMENTARY DETAILS OF EXPENDITURES
YEAR ENDED MARCH 31, 2007

	2007 <u>Budget</u>	2007 <u>Actual</u>	2006 <u>Actual</u>
<u>Adult & Community Education</u>			
Program Management	60,273	60,273	73,028
Instruction	677,072	662,647	586,267
Program & Curriculum Support	<u>122,489</u>	<u>119,162</u>	<u>116,844</u>
Total Adult & Community Education	\$ <u>859,834</u>	\$ <u>842,082</u>	\$ <u>776,139</u>
<u>Property Services</u>			
Management Services	398,974	485,523	411,196
Custodial Services	5,117,059	5,443,236	4,285,405
Maintenance Services	12,275,198	15,919,766	9,963,905
Grounds Services	<u>479,172</u>	<u>428,588</u>	<u>1,012,018</u>
Total Property Services	\$ <u>18,270,403</u>	\$ <u>22,277,113</u>	\$ <u>15,672,524</u>
<u>Student Transportation</u>			
Management Services	426,189	449,533	355,820
Transportation (Board)	3,113,410	3,163,007	2,992,833
Maintenance (Board)	2,485,748	2,454,405	2,289,380
Transportation (Contract)	<u>279,000</u>	<u>295,169</u>	<u>267,204</u>
Total Student Transportation	\$ <u>6,304,347</u>	\$ <u>6,362,114</u>	\$ <u>5,905,237</u>
School Funded Activities	\$ <u>-</u>	\$ <u>4,894,926</u>	\$ <u>4,606,276</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**SCHEDULE C****SUPPLEMENTARY DETAILS OF GRANT REVENUE AND EXPENDITURE****YEAR ENDED MARCH 31, 2007**

From time to time, the Board receives funding for specific expenditure purposes. The Board accounts for such funding on a net expenditure basis so as not to distort the comparison of its actual expenditures within the context of their budgetary framework. A summary of the total funding and related expenditures for the year is presented below.

<u>Program</u>	<u>Revenue</u>	<u>Expenditure</u>	<u>Net Cost</u>
Race Relations	6,162	6,162	-
Heritage Grant	2,557	3,174	617
Breakfast Program	135,695	201,695	66,000
Special Needs - Behaviour	14,719	14,719	-
Feeling yes/no	-	84	84
Boularderie Literacy	2,194	2,194	-
Riverview Accreditation	3,215	3,215	-
Cornwallis/Cusack Grant	7,099	7,099	-
Gaelic Language & JH Network Literacy	14,903	14,903	-
Reading Recovery	-	4,440	4,440
Sydney Academy Math Grant	195	195	-
Whitney Pier Memorial Grant - Ron Carew	2,250	2,250	-
Whitney Pier Memorial Grant - R. MacDonald House Lisa Cantwell	4,092	4,092	-
Dance Revolution	9,241	9,241	-
Harbourside Grant - Rob Chiasson	1,298	1,298	-
Women in Motion	1,396	1,396	-
Riverview Literacy	1,693	1,693	-
Cupe Up-Grading Essentials	4,674	4,674	-
Sport Animator	43,000	68,089	25,089
Supporting Student Success	14,814	14,814	-
Cabot Library	5,000	5,000	-
Gender Equity Grant	1,130	1,130	-
P-9 Physical Education	10,591	10,591	-
EIIS (School Transition Facilitator)	25,890	25,890	-
English as a Second Language	11,500	11,500	-
Special Education	1,143	1,143	-
Health Promotion (Mary Lou Andrea)	81,528	81,528	-
Special Education Policy Implementation	8,908	8,908	-
Donkin Jr. High Networking	684	684	-
BEC Jr. High Networking	-	594	594
Baddeck Jr. High Networking	869	869	-
Rankin Jr. High Networking	4,703	4,703	-
Thompson Jr. High Networking	1,788	1,788	-
T.L. Sullivan Jr. High Networking	286	286	-
Cabot Jr. High Networking	1,480	1,480	-
Whitney Pier Memorial Jr. High Networking	85	85	-
Morrison Jr. High Networking	715	715	-
SPEC Jr. High Networking	1,165	1,165	-
	<u>426,662</u>	<u>523,486</u>	<u>96,824</u>

Financial Statements

Capital District Health Authority
(operating as Capital Health)
March 31, 2007

AUDITORS' REPORT

To the Board of Directors of
Capital District Health Authority

We have audited the statement of financial position - operating and capital funds of the **Capital District Health Authority** ("Capital Health") as at March 31, 2007 and the statements of fund balances, revenues and expenditures, and cash flow for the year then ended. These financial statements are the responsibility of Capital Health's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Capital Health as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Halifax, Canada
May 23, 2007

Chartered Accountants

Capital District Health Authority
(operating as Capital Health)

STATEMENT OF FINANCIAL POSITION
OPERATING AND CAPITAL FUNDS

As at March 31
(in thousands)

	Operating Fund \$	Capital Fund \$	Total 2007 \$	Total 2006 \$
ASSETS				
Current				
Cash and short term investments	52,160	—	52,160	43,370
Accounts receivable	23,787	—	23,787	21,967
Due from Department of Health	19,709	—	19,709	21,525
Due from Provincial Drug Distribution Program	154	—	154	178
Due from Department of Finance	1,873	—	1,873	370
Due from Foundations	988	—	988	1,620
Due (to) from other fund	(20,288)	20,288	—	—
Restricted cash and investments [notes 2 and 6]	1,988	—	1,988	1,404
Inventories [note 3]	5,822	—	5,822	5,701
Prepaid expenses	1,679	—	1,679	2,429
	87,872	20,288	108,160	98,564
Due from Department of Health	5,477	—	5,477	5,477
Due from Foundations	3,167	—	3,167	3,167
Accounts receivable	1,752	—	1,752	1,981
Due from Department of Finance [notes 2 and 7]	100,179	—	100,179	92,221
Restricted cash and investments [notes 2 and 6]	20,395	—	20,395	20,793
Capital assets [note 4]	—	245,673	245,673	245,311
Parking garage [notes 4 and 11]	—	10,038	10,038	10,313
	218,842	275,999	494,841	477,827
LIABILITIES AND FUND BALANCE				
Current				
Accounts payable and accrued liabilities	68,028	—	68,028	68,679
Restricted liabilities [notes 2 and 6]	1,988	—	1,988	1,404
Deferred revenue [note 5]	28,176	20,814	48,990	39,184
Current portion of long-term debt [note 11]	—	872	872	361
	98,192	21,686	119,878	109,628
Restricted liabilities [notes 2 and 6]	20,395	—	20,395	20,793
Long-term debt [note 11]	—	11,059	11,059	9,823
Employee future benefits [notes 2 and 7]	100,179	—	100,179	92,221
	218,766	32,745	251,511	232,465
Fund Balance				
Operating surplus	76	—	76	51
Investment in capital assets	—	243,254	243,254	245,311
	76	243,254	243,330	245,362
	218,842	275,999	494,841	477,827

Commitments and contingencies [notes 8, 9, 10]

See accompanying notes

On behalf of the Board:

Director

Director

Capital District Health Authority
(operating as Capital Health)

STATEMENT OF FUND BALANCES

Year ended March 31
(in thousands)

	2007 \$	2006 \$
OPERATING FUND		
Balance, beginning of year	51	25
Net revenues over expenditures before amortization	428	301
Net amortization deficit	(403)	(275)
Balance, end of year	76	51
INVESTMENT IN CAPITAL ASSETS		
Capital funding, beginning of year	551,843	518,947
Capital funding for the year [Schedule C]	23,824	32,896
	575,667	551,843
Accumulated amortization of capital fund, beginning of year	(306,532)	(280,568)
Amortization of capital fund	(25,881)	(25,964)
Accumulated amortization of capital fund, end of year	(332,413)	(306,532)
Balance, end of year	243,254	245,311

See accompanying notes

Capital District Health Authority
(operating as Capital Health)

STATEMENT OF REVENUES AND EXPENDITURES

Year ended March 31
(in thousands)

	2007 \$	2006 \$
Operating		
Revenues [Schedule A]	667,722	643,135
Expenditures [Schedule B]	667,294	642,834
Results from operating activities	428	301
Capital		
Amortization of capital fund	25,881	25,964
Depreciation	(26,284)	(26,239)
Results from capital activities	(403)	(275)
Results from operating and capital activities	25	26
Research		
Revenues	17,131	16,904
Expenditures	16,944	16,993
	187	(89)
Opening balance	22,197	22,286
Funds available for research	22,384	22,197
Funds committed to future periods	22,384	22,197
Results from research activities	—	—
Net revenues over expenditures	25	26

See accompanying notes

Capital District Health Authority
(operating as Capital Health)

STATEMENT OF CASH FLOW

Year ended March 31
(in thousands)

	2007 \$	2006 \$
OPERATING ACTIVITIES		
Net revenues over expenditures - operating fund	428	301
Items not requiring cash		
Results from capital activities	(403)	(275)
Depreciation	26,284	26,239
Amortization of capital fund	(25,881)	(25,964)
Changes in non-cash working capital items	1,229	5,147
Cash provided by operating activities	1,657	5,448
FINANCING ACTIVITIES		
Transfer of equity to operating fund	—	—
Capital funding [Schedule C]	23,824	32,896
Capital lease	2,572	—
Employee future benefits	7,958	7,314
Long term debt - parking garage/capital lease	(826)	(341)
Restricted funding	187	(89)
Cash provided by financing activities	33,715	39,780
INVESTING ACTIVITIES		
Capital assets acquired [Schedule C]	(23,824)	(32,896)
Capital asset - capital lease	(2,572)	—
Cash used in investing activities	(26,396)	(32,896)
Net increase in cash during the year	8,976	12,332
Cash position, beginning of year	65,567	53,235
Cash position, end of year	74,543	65,567
Cash position, end of year is comprised as follows:		
Cash and short-term investments	52,160	43,370
Restricted cash and investments	22,383	22,197
	74,543	65,567

See accompanying notes

Capital District Health Authority
(operating as Capital Health)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2007
(in thousands)

1. Nature of the Organization

Effective January 1, 2001 Bill 34 of the Province of Nova Scotia created the Capital District Health Authority "Capital Health". Capital Health includes the QEII Health Sciences Centre, Nova Scotia Hospital and the former Central Regional Health Board. Collectively, these organizations provide core health services to 40% of the population of Nova Scotia, and tertiary and quaternary acute services to residents of Atlantic Canada.

Capital Health is a non-profit entity and, as such, is exempt from income tax.

2. Significant Accounting Policies

Fund accounting

Capital Health maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activities from capital activities.

The operating fund contains the non-capital operating assets, liabilities, revenues and expenditures of Capital Health related to the provision of hospital services.

The capital fund contains the capital assets, net of accumulated depreciation and related capital funding, net of accumulated amortization.

Fund transfers represent deferred capital contributions for use in future periods.

Inventories

Inventories are stated at cost, being the lower of cost and replacement cost.

Capital assets

Capital assets are recorded at cost and depreciated at the following annual rates:

Halifax Infirmary building	50 years straight-line
Dartmouth General Hospital and Hants building	40 years declining balance
Parking Garage	40 years straight-line
Other buildings	20-50 years straight-line
Equipment	10 years straight-line
Leasehold improvements	10 years straight-line
Parking equipment	10 years straight-line
Information technology	5 years straight-line
Paving	5 years straight-line

Capital District Health Authority
(operating as Capital Health)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2007
(in thousands)

2. Significant Accounting Policies (cont'd)

Restricted cash and investments and restricted liabilities

Restricted cash and investments are designated for restricted purposes by independent funders, by regulation, or by resolution of Capital Health's Board of Directors. Investments are stated at the lower of cost and market. The corresponding restricted liability represents the unexpended fund balance.

Revenue recognition

Capital health uses the deferral method of accounting for contributions and revenue recognition. Restricted contributions related to expenses of future periods are deferred, revenue is recognized in the period in which the related expenses are incurred.

Short-term investments

Short-term investments are recorded at market value at the balance sheet date.

Capital contributions

Capital contributions are recorded as capital funding and amortized to income using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assets are recorded as direct increases in the investment in capital.

Employee future benefits/Due from Department of Finance

Employee future benefits include retirement allowances/public service awards paid to employees upon retirement, health and life insurance, as well as three separate pension funds. A liability for employee future benefits has been included in the financial statements in the current year. The Province of Nova Scotia funds this liability so a receivable for the same amount has been recorded from the Department of Finance. [see notes 7 and 8]

Financial instruments

The organization's primary financial instruments consist of receivables, payables and long-term debt. The difference between the carrying values and the fair market values of the primary financial instruments are not material due to the short term maturities and the credit terms of those instruments with the exception of certain debt instruments.

Capital District Health Authority
(operating as Capital Health)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2007
(in thousands)

3. Inventories

<i>(in thousands)</i>	2007 \$	2006 \$
Drugs	4,172	4,112
General supplies	924	853
Medical and surgical	726	736
	5,822	5,701

4. Capital Assets

<i>(in thousands)</i>	2007		2006	
	Cost \$	Accumulated Depreciation \$	Cost \$	Accumulated Depreciation \$
Land	324	—	324	—
Land improvements	846	156	846	156
Halifax Infirmary building	110,023	23,068	110,023	20,868
Other Buildings	74,640	39,281	74,640	38,093
Equipment	232,104	168,322	217,410	157,274
Leasehold improvements	111,234	59,289	103,545	50,052
Information technology	44,879	40,682	43,440	38,479
Parking equipment	20	17	20	15
Paving	312	312	312	312
Capital Lease	2,572	154	—	—
	576,954	331,281		550,560
305,249				
Less: accumulated depreciation	331,281		305,249	
Total capital assets	245,673		245,311	

Capital District Health Authority
(operating as Capital Health)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2007
(in thousands)

4. Capital Assets (cont'd)

<i>(in thousands)</i>	2007		2006	
	Cost \$	Accumulated Depreciation \$	Cost \$	Accumulated Depreciation \$
Parking Garage	11,000	962	11,000	687
Less: accumulated depreciation	962		687	
	10,038		10,313	

5. Deferred Revenue

Deferred revenue in the operating fund of \$28,176 (2006 - \$25,200) represents advance funding received from the Department of Health for the 2006/07 fiscal year and other program deferred funding. Deferred revenue in the capital fund of \$20,814 (2006 - \$13,984) represents advance funding for capital equipment to be purchased subsequent to March 31, 2007.

6. Restricted Cash and Investments and Restricted Liabilities

These assets and liabilities represent funds, the use of which is restricted by various conditions as described in note 2. For the fiscal year 2006/2007, research revenue totaled \$17,131 and research expenses totaled \$16,944 resulting in a net increase of \$187.

<i>(in thousands)</i>	2007 \$	2006 \$
Centre for Clinical Research	16,593	16,169
Other	5,790	6,028
	22,383	22,197

Capital District Health Authority
(operating as Capital Health)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2007
(in thousands)

7. Employee Future Benefits

Retirement allowance

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB Handbook. Experience gains and losses and assumption charges are amortized on a linear basis over the expected average remaining service life of twelve years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable balance is recorded.

Per Union Collective agreements employees are entitled to a payment of one weeks salary for every year of full time service (max. 26 weeks) that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, government agencies and boards.

Capital Health has provided for retirement allowances as follows:

<i>(in thousands)</i>	2007	2006
	\$	\$
Accrued benefit liability		
Beginning balance, retiring allowances	40,422	38,425
Current service cost for the year	2,748	2,519
Interest cost during the year	2,293	2,375
Plan amendment and adjustments	—	(1,167)
Amortization of experience gain (loss)	204	270
Estimated fiscal payments for employees	(2,767)	(2,000)
Ending balance, retiring allowances	42,900	40,422

Capital District Health Authority
(operating as Capital Health)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2007
(in thousands)

7. Employee Future Benefits (cont'd)

<i>(in thousands)</i>	2007 \$	2006 \$
Employee future benefits retirement expense		
Current service costs	2,748	2,519
Interest on accrued benefits	2,293	2,375
Plan Amendment	—	(1,167)
Amortization of experience loss	204	270
	5,245	3,997

The significant actuarial assumptions adopted in measuring the company's retirements allowance are as follows (weighted-average assumptions) as at March 31, 2007:

	Retirement Allowance
Discount rate	5.7%
Retirement % at age 65	50.0%
Average age of employees	43.9
Average age of services	12.7
Future mortality rate	(none assumed)
Rate of compensation increase	(based on average) 3.65%

Health and Life Insurance

Capital Health provides health and life insurance benefits to employees upon retirement. Per Union Collective agreements employees are entitled to receive this benefit upon retirement. The benefit is an optional choice for employees at retirement. Capital Health contributes to the cost of these premiums. The health and life insurance value is calculated by the Provincial Department of Finance for Capital Health. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of fifteen years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable balance is recorded.

Capital District Health Authority
(operating as Capital Health)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2007
(in thousands)

7. Employee Future Benefits (cont'd)

Capital Health has provided for health and life insurance as follows:

<i>(in thousands)</i>	2007 \$	2006 \$
Accrued benefit liability		
Beginning balance, health and life	51,799	46,482
Current service cost for the year	2,790	2,698
Interest cost during the year	3,073	2,952
Amortization of experience gain (loss)	153	67
Estimated fiscal payments for employees	(536)	(400)
Ending balance, health and life	57,279	51,799
<i>(in thousands)</i>	2007 \$	2006 \$
Employee future benefits health and life expense		
Current service costs	2,790	2,698
Interest on accrued benefits	3,073	2,952
Amortization of experience loss	153	67
	6,016	5,717

The significant actuarial assumptions adopted in measuring the company's health and life insurance are as follows (weighted-average assumptions) as at March 31, 2007:

	Health/Life
Discount rate	5.7%
Retirement % at age 65	50%
Participation Rate - Health	95%
Participation Rate - Life	75%
Future mortality rate	(UP94, Proj. to 2015, scale AA)
Rate of compensation increase	2.5% Plus Prom. Increase

Capital District Health Authority
(operating as Capital Health)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2007
(in thousands)

8. Pension Funds

Public Service Superannuation Fund

Most former employees of the Victoria General Hospital ("VGH"), Cancer Treatment and Research Foundation ("CTRF"), Nova Scotia Hospital ("NSH"), Public Health and Drug Dependency of the Central Regional Health Board belong to the Public Service Superannuation Fund ("the Plan"). The Plan is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Government Department of Finance administers the Plan. Capital Health is not responsible for any unfunded liability in this plan.

Nova Scotia Association of Health Organizations

Employees of the former Nova Scotia Rehabilitation Centre ("NSRC"), Camp Hill Medical Centre ("CHMC") and the Central Regional Health Board ("CRHB") participate in the multi-employer pension plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2005 and showed funding excess for the entire plan of over \$44,230,000. Capital Health is not responsible for any unfunded liability in this plan.

Federal Superannuation Fund

A small group of employees of the former Camp Hill Medical Centre ("CHMC") who were on staff when Camp Hill Hospital transferred from Federal to Provincial jurisdiction on May 29, 1978 opted to continue in this pension plan. The Plan is funded by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Public Works and Government Services Canada administer the pension plan. Capital Health is not responsible for any unfunded liability in this plan.

Total employer contributions to the above mentioned plans are as follows:

<i>(in thousands)</i>	2007	2006
	\$	\$
Employer contributions	23,794	20,757

Capital District Health Authority
(operating as Capital Health)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2007
(in thousands)

9. Long-Term Disability Plan

Public Service Long Term Disability Plan Trust Fund

Employees of the former VGH, CTRF, NSH and Public Health/Drug Dependency from the Central Regional Health Board are members of this plan which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Plan is currently administered by the Province of Nova Scotia and NSGEU. The most recent actuarial valuation was conducted as at December 31, 2003 and disclosed an unfunded liability of approximately \$35,274. Capital Health is not responsible for any unfunded liability in this plan.

Nova Scotia Association of Health Organizations

Employees of the former CHMC, QEII and the former CRHB are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Association of Health Organizations administers this long-term disability plan. The most recent actuarial valuation was completed as of August 31, 2005, this valuation indicates a funding excess of \$8,139. Capital Health is not responsible for any unfunded liability in this plan.

Canada Life Plan

Employees of the former NS Rehabilitation Centre are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The plan is currently administered by Canada Life. Capital Health is not responsible for any unfunded liability in this plan.

10. Operating Lease Commitments

Capital Health is committed to the following annual lease payments in each of the next five fiscal years ended March 31 (in thousands):

2008	\$6,024
2009	5,992
2010	5,943
2011	5,943
2012	5,943

Capital District Health Authority
(operating as Capital Health)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2007
(in thousands)

11. Long-Term Debt

Long-Term Debt <i>(in thousands)</i>	2007 \$	2006 \$
Term loan	9,823	10,184
Capital lease	2,108	—
	11,931	10,184
Less: current portion	872	361
	11,059	9,823

In 2003/2004 Capital Health received approval from its Board of Directors and the Department of Health to construct a new multi-level parking garage at its Halifax Infirmary site. The parking garage became fully operational in the 2004/2005 fiscal year, the final project cost amounted to \$11,000.

A debenture between Capital Health and the Nova Scotia Municipal Financing Corporation was signed on January 10, 2003 to finance this Capital Project. The Department of Health issued a letter dated December 10, 2002 confirming an intercept mechanism on its provincial grant payments to Capital Health in case of loan default.

The term loan bears interest at 5.913%, matures on January 9, 2023, and is repayable in semi-annual installments of principal and interest totaling \$479.

Principal repayments for each of the next five years are as follows:

Fiscal	<i>(in thousands)</i>
2008	\$ 383
2009	406
2010	430
2011	456
2012	483
Thereafter in aggregate	7,666

Capital District Health Authority
(operating as Capital Health)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2007
(in thousands)

12. Related Parties

Within Capital Health there are seven foundations and one auxiliary. These organizations provide funding contributions for specific resources of Capital Health, through fundraising activities. The balances due to and due from related parties are non-interest bearing.

The following commitments were recognized from each foundation and auxiliary for the year ended March 31:

	2007 \$	2006 \$
Related Parties		
Partners For Care	4,500	4,300
QEII Health Sciences Centre Foundation	4,141	3,404
Dartmouth General Hospital Foundation	556	2,262
Cobequid Multi-purpose Centre Foundation	541	2,111
Hants Hospital Foundation	27	130
Mental Health Foundation Of Nova Scotia	37	30

13. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

14. Contingencies

The Organization may, from time to time, be involved in legal proceedings, claims and litigations that arise in the ordinary course of business which the Organization believes would not reasonably be expected to have a material adverse effect on the financial condition of the Organization.

Capital District Health Authority
(operating as Capital Health)

Schedule A

SCHEDULE OF REVENUES OPERATING FUND

Year ended March 31
(in thousands)

<i>(in thousands)</i>	Operating \$	Provincial Funded Programs \$	Total 2007 \$	Total 2006 \$
Department of Health	505,142	87,661	592,803	568,290
Federal government	11,302	12,047	23,349	22,299
Other	7,189	—	7,189	9,680
Preferred accommodation	6,549	—	6,549	6,613
Non-resident billings	10,074	—	10,074	10,260
Dietary	6,137	—	6,137	6,122
Lab and support services	6,496	—	6,496	6,337
Provincial grants	11,261	—	11,261	9,714
Workers Compensation Board	3,864	—	3,864	3,820
Revenues	568,014	99,708	667,722	643,135

Capital District Health Authority
(operating as Capital Health)

Schedule B

SCHEDULE OF EXPENDITURES OPERATING FUND

Year ended March 31
(in thousands)

<i>(in thousands)</i>	Operating \$	Provincial Funded Programs \$	Total 2007 \$	Total 2006 \$
Compensation	378,714	85,088	463,802	450,280
Medical/surgical supplies	62,078	729	62,807	59,448
Plant maintenance/utilities	42,593	2,822	45,415	43,029
Drugs	24,660	2,322	26,982	27,042
Other	21,837	4,164	26,001	25,671
Purchased services	12,122	4,380	16,502	13,703
Lab/diagnostic supplies	13,732	200	13,932	13,335
Retirement allowance expense	11,261	—	11,261	9,714
Interest expense	592	—	592	612
Expenditures	567,589	99,705	667,294	642,834

Capital District Health Authority
(operating as Capital Health)

Schedule C

SCHEDULE OF CHANGES IN CAPITAL

Year ended March 31
(in thousands)

<i>(in thousands)</i>	2007 \$	2006 \$
Capital Funding		
Department of Health (Capital Grant)	4,643	4,365
Department of Health (Other)	4,482	13,195
Foundations	5,803	7,801
Clinical Research	617	905
Other	3,725	2,516
Federal government	4,554	4,114
	23,824	32,896
Capital Expenditures		
Equipment	14,695	17,294
Leasehold improvements	7,690	12,939
Information technology	1,439	2,663
	23,824	32,896

CHECK INNS LIMITED
Balance Sheet
Year Ended March 31, 2007

Unaudited

	2007	2006
Assets		
Assets	<u>-</u>	<u>-</u>
Liabilities		
Liabilities	-	-
Shareholders' Equity		
Capital Stock		
Authorized: 5,000 Common Shares with par value of \$1 each		
Issued: 3 Common Shares	3	3
Accumulated Deficits	<u>(3)</u>	<u>(3)</u>
Liabilities and Shareholders' Equity	<u>-</u>	<u>-</u>

CHECK INNS LIMITED
Statement of Income and Accumulated Deficits
Year Ended March 31, 2006

Unaudited

	2007	2006
Revenue	-	-
Expenses	<u>-</u>	<u>-</u>
Net Income	-	-
Opening accumulated deficit, as previously reported	(3)	(89,910)
Prior year adjustment	-	89,907
Adjusted accumulated deficit, beginning of year	<u>(3)</u>	<u>(3)</u>
Changes in the year	-	-
Accumulated Deficits, end of year	<u>(3)</u>	<u>(3)</u>

Financial Statements of the

**CHIGNECTO-CENTRAL
REGIONAL SCHOOL BOARD**

Year Ended March 31, 2007



KPMG LLP
Chartered Accountants
Suite 1500 Purdy's Wharf Tower I
1959 Upper Water Street
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Canada

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AUDITORS' REPORT TO THE CHAIRPERSON AND MEMBERS OF THE BOARD

We have audited the statement of financial position of the Chignecto-Central Regional School Board as at March 31, 2007 and the statements of accumulated surplus, operations and accumulated surplus, change in net financial resources and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations, changes in net financial resources and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chartered Accountants

Halifax, Canada

June 8, 2007

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Financial Position

As At March 31, 2007

2007

2006

Financial Assets

Cash and cash equivalents

General

School generated funds

\$ 9,138,256	\$ 7,076,204
<u>2,589,275</u>	<u>2,361,150</u>
11,727,531	9,437,354

Accounts receivable:

Government of Canada (note 2)

Province of Nova Scotia (note 3)

First Nations

Municipalities

Other

826,940	694,730
6,189,697	3,995,435
2,887,073	3,074,885
-	34,500

Province of Nova Scotia - Service Awards (note 4)

Restricted cash and investments

1,318,767	839,559
15,165,246	16,680,580
<u>15,069</u>	<u>14,544</u>

Total financial assets

<u>38,130,323</u>	<u>34,771,587</u>
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Liabilities

Accounts payable and accrued liabilities

Deferred revenue

Service awards (note 4)

Total liabilities

- 12,494,208	10,550,119
2,603,026	1,689,599
<u>15,165,246</u>	<u>16,680,580</u>
<u>30,262,480</u>	<u>28,920,298</u>

Net Financial Resources

<u>7,867,843</u>	<u>5,851,289</u>
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Non-Financial Assets

Prepaid expenses

Inventories of supplies

Tangible capital assets (Schedule C)

Deferred contributions - capital assets, net of accumulated amortization of \$192,281 (2006 - \$149,769)

681,040	660,140
576,929	435,747
2,453,168	2,589,575

Total non-financial assets

<u>(807,719)</u>	<u>(850,231)</u>
<u>2,903,418</u>	<u>2,835,231</u>

Accumulated surplus

<u>\$ 10,771,261</u>	<u>\$ 8,686,520</u>
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Commitments (note 9)

See accompanying notes to financial statements.

On behalf of the Board:

Chairperson_____
Board Member

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARDStatement of Accumulated Surplus
As At March 31, 2007

2007

2006

Accumulated Surplus

Unrestricted	\$ <u>7,696,672</u>	\$ <u>5,895,782</u>
Internally restricted funds		
School generated funds	2,843,145	2,576,644
Instructional program enhancement at school level	<u>216,375</u>	<u>199,550</u>
	<u>3,059,520</u>	<u>2,776,194</u>
Special capital reserve	<u>15,069</u>	<u>14,544</u>
	\$ <u><u>10,771,261</u></u>	\$ <u><u>8,686,520</u></u>

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Operations and Accumulated Surplus

Year Ended March 31, 2007

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Revenue (Schedule A)			
Province of Nova Scotia	\$ 140,482,724	\$ 142,478,023	\$ 135,094,956
Appropriation from Councils	22,325,100	22,325,026	21,892,607
School generated funds	6,000,000	5,853,295	6,074,309
Board operations	2,294,005	4,044,001	3,215,503
First Nations	2,800,000	3,488,637	3,241,573
Government of Canada	<u>258,285</u>	<u>324,137</u>	<u>326,802</u>
	<u>174,160,114</u>	<u>178,513,119</u>	<u>169,845,750</u>
Expenditures (Schedule B)			
Board governance	411,958	416,889	406,429
Regional management	4,602,284	4,377,543	4,291,168
School management and support	19,191,836	19,037,093	17,559,355
Instruction and school services	86,800,482	90,073,026	87,397,240
Student support	22,002,624	21,986,451	19,892,556
Adult and community education	1,343,697	1,261,277	1,179,252
Property services	22,925,539	21,918,596	23,255,235
Pupil transportation	10,258,988	9,992,131	9,539,978
Other programs	1,060,706	1,539,020	1,092,290
School generated funds	6,000,000	5,586,794	5,902,980
Capital asset amortization	242,000	239,558	231,865
Interest expense	<u>70,000</u>	<u>-</u>	<u>-</u>
	<u>174,910,114</u>	<u>176,428,378</u>	<u>170,748,348</u>
Surplus (Deficit)	\$ (750,000)	\$ 2,084,741	\$ (902,598)
Accumulated surplus, beginning of year		<u>8,686,520</u>	<u>9,589,118</u>
Accumulated surplus, end of year		\$ <u>10,771,261</u>	\$ <u>8,686,520</u>

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Change in Net Financial Resources

For The Year Ended March 31, 2007

2007

2006

Net financial resources, beginning of year	\$ 5,851,289	\$ 6,597,367
Changes during the year:		
Annual surplus (deficit)	2,084,741	(902,598)
Acquisition of tangible capital assets	(103,151)	(191,730)
Amortization of tangible capital assets	239,558	231,865
Amortization of deferred contributions	(42,512)	(44,749)
(Increase) decrease in inventories of supplies	(141,182)	177,804
(Increase) decrease in prepaid expenses	<u>(20,900)</u>	<u>(16,670)</u>
Increase in net financial resources	<u>2,016,554</u>	<u>(746,078)</u>
Net financial resources, end of year	\$ <u>7,867,843</u>	\$ <u>5,851,289</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Cash Flow

For The Year Ended March 31, 2007

2007

2006

Operating activities

Cash received from:

Annual operating surplus (deficit)

\$ 2,084,741 \$ (902,598)

Items not affecting cash:

Tangible capital asset amortization

239,558 231,865

Deferred contributions capital assets amortization

(42,512) (44,749)

197,046 187,116

Changes in non-cash working capital:

(Increase) decrease in accounts receivable

(2,583,368) 573,997

(Increase) decrease in inventories of supplies

(141,182) 177,804

Increase in prepaid expenses

(20,900) (16,670)

Increase in restricted cash and investments

(525) (284)

Increase in accounts payable and accrued liabilities

1,944,089 1,839,668

Increase in deferred revenue

913,427 779,012111,541 3,353,527

Cash provided by operating activities

2,393,328 2,638,045

Capital activities

Cash used to acquire tangible capital assets

(103,151) (191,730)

Cash applied to capital activities

(103,151) (191,730)

Increase in cash and cash equivalents

2,290,177 2,446,315

Cash and cash equivalents, at beginning of year

9,437,354 6,991,039

Cash and cash equivalents, at end of year

\$ 11,727,531 \$ 9,437,354

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Notes to Financial Statements

Year Ended March 31, 2007

Pursuant to an Act passed by the Province of Nova Scotia, the Colchester-East Hants District School Board, Cumberland District School Board, and the Pictou District School Board were amalgamated to form the Chignecto-Central Regional School Board. The Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system.

1. Financial Reporting and Accounting Policies:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting policies:

(a) Significant accounting policies

Revenues

Revenues are recorded on the accrual basis. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal Contributions.

Expenses

Expenses are recorded on the accrual basis. Provisions are made for probable losses on certain loans, investments, accounts receivable, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets

Cash and cash equivalents are recorded at cost which approximates market value. Accounts receivable are recorded at the principal amount less valuation allowances.

Liabilities

Pension, retirement and other obligations include various employee benefits.

Net Financial Resources

Net Financial Resources represents the financial assets less direct liabilities of the Board.

Non Financial Assets

Tangible capital assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at historical cost (or estimated cost when the actual is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources or works of art and historical treasures.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Notes to Financial Statements, continued

Year Ended March 31, 2007

1. Financial Reporting and Accounting Policies (continued):

Amortization of tangible capital assets is provided using the following methods and annual rates:

Asset	Basis	Rate
Building	Declining Balance	5%
Vehicles	Declining Balance	35%

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Inventories represent amounts expended on supplies and other consumables which will be used or consumed in a future period. They are recorded at the lower of cost and net realizable value. Once items have been shipped to the schools they are expensed and are not considered inventory.

Accumulated Surplus

Accumulated surplus represents the financial assets and non-financial assets of the Board less the liabilities. This represents the accumulated balance of net surplus arising from the operations of the Board.

Use of Estimates

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets; valuation allowances for receivables and inventories; and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Accounts Receivable, Government of Canada:

	2007	2006
Harmonized Sales Tax	\$ <u>826,940</u>	\$ <u>694,730</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Notes to Financial Statements, continued

Year Ended March 31, 2007

3. Accounts Receivable, Province of Nova Scotia:

	2007	2006
Teacher's salary accrual	\$ 2,690,000	\$ 2,690,000
Special capital projects	2,540,355	612,681
Information Economy Initiative	264,750	182,630
Technology Refresh	90,449	29,512
Other	604,143	480,612
	<u>\$ 6,189,697</u>	<u>\$ 3,995,435</u>

4. Service Award Program:

Teachers receive a service award upon retirement, disability, death or termination, when entitled to a vested pension, under the contracts between the Nova Scotia Teachers Union locals and the predecessor boards. The contracts prescribe the formulae used in calculating the payment as well as the period over which the payment is to be made.

The Province of Nova Scotia assumed responsibility for the payment of service awards for all qualifying school board employees effective April 1, 2002. As a result, school boards were required to make certain entries on their financial statements beginning with the year ending March 31, 2002, to record the value of projected liabilities, as well as a corresponding receivable from the Province of Nova Scotia. These entries have been determined by the Nova Scotia Department of Finance in relation to an independent actuarial evaluation performed for them. This evaluation calculated the present value of the service awards payable for past services for the School Board to be \$15,165,246 as of March 31, 2007 (\$16,680,580 - 2006). Beginning April 1, 2002, school boards are required to expense 1% of payroll to the Province towards these costs.

5. Capital Assets:

In 1982, on creation of the former District School Boards, an agreement was made with respect to capital assets which stated that all land and school buildings on hand at December 31, 1981 remain assets of the municipal units but will be under the operational control of the District School Boards until such time as the School Boards no longer require the assets for school purposes. At that time, control will revert back to the municipalities. In addition, one of the former District School Boards also had an agreement to offer back to the municipalities, at no cost, certain land and buildings acquired in 1970 if they are ever declared surplus by the Board. These agreements have been carried forward to the Regional School Board.

As a result of improvements made to school buildings, the Chignecto-Central Regional School Board now has an interest in real property to which it does not have title. Under the Education Act, should a building returned by the Regional School Board under the circumstances noted above, be sold by the Municipal unit or destroyed, a portion of any proceeds will be payable to the Regional School Board.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Notes to Financial Statements, continued

Year Ended March 31, 2007

6. Insurance:

The Board is a member of a self insurance plan with the Nova Scotia School Board Association.

7. Pension Plans:

The Regional School Board's Canadian Union of Public Employees (CUPE) staff participate in a multi-employer defined benefit pension plan held on behalf of the Regional School Board by the Nova Scotia School Boards Association. The latest actuarial valuation was performed on December 31, 2003 and indicated accrued pension benefits of \$15,537,800 and pension fund assets with market values of \$15,653,300.

The Regional School Board's Nova Scotia Government Employees Union (NSGEU) and non-union staff are covered by a multi-employer pension plan established by the Province of Nova Scotia pursuant to the Public Service Superannuation Act.

The Regional School Board's teachers are covered by a multi-employer pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act.

As all of the above arrangements are multi-employer plans the Regional School Board accounts for them as defined contribution plans and as such no accrued liability is recorded and only the contributions paid or payable are expensed in the year.

8. Fair Value of Financial Assets and Financial Liabilities:

The fair value of the Board's accounts receivable and accounts payable approximate their carrying amounts due to the immediate short-term maturity of these financial instruments.

9. Commitments:

The Regional School Board is committed to rent premises under operating leases through 2009 with minimum annual lease payments as follows:

2008	
2009	51,990
	20,062

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue

Year Ended March 31, 2007

2007 Budget

2007 Actual

2006 Actual

Province of Nova Scotia:

General formula	\$ 118,041,200	\$ 117,446,919	\$ 119,837,954
Special education	18,387,100	18,316,578	9,037,559
Textbook credit allocation	1,457,700	1,630,299	1,606,169
Teacher salary accrual	-	-	(917,000)
Special capital grants	-	-	336,301
Service awards funding (Note 4)	1,034,500	2,189,766	2,814,001
Information Economy Initiative	950,800	954,004	579,692
Other	611,424	1,940,457	1,800,280
	<u>\$ 140,482,724</u>	<u>\$ 142,478,023</u>	<u>\$ 135,094,956</u>

Appropriation From Councils:

Municipality of Colchester	\$ 5,348,400	\$ 5,348,424	\$ 5,242,524
Municipality of Cumberland	2,875,500	2,875,520	2,833,500
Municipality of East Hants	3,025,800	3,025,824	2,905,848
Municipality of Pictou	3,626,500	3,626,484	3,578,172
Town of Amherst	1,329,100	1,329,084	1,301,724
Town of New Glasgow	1,412,000	1,412,040	1,393,764
Town of Oxford	237,900	237,910	240,228
Town of Parrsboro	150,500	150,482	145,500
Town of Pictou	390,200	390,200	385,812
Town of Springhill	383,900	383,886	390,816
Town of Stellarton	628,100	628,128	600,297
Town of Stewiacke	169,500	169,476	164,367
Town of Trenton	304,900	304,944	302,735
Town of Truro	2,146,100	2,146,141	2,121,492
Town of Westville	296,700	296,483	285,828
	<u>\$ 22,325,100</u>	<u>\$ 22,325,026</u>	<u>\$ 21,892,607</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue (Continued)

Year Ended March 31, 2007	2007 Budget	2007 Actual	2006 Actual
Board Operations:			
Public Private Partnership	\$ 609,000	\$ 787,926	\$ 668,298
Investment interest	175,000	477,954	276,253
Adult education fees	105,000	104,234	122,588
Rentals	429,646	450,297	450,514
Summer School	38,000	22,740	41,573
International Student Program	922,359	1,950,540	1,347,941
Other	<u>15,000</u>	<u>250,310</u>	<u>308,336</u>
	<u>\$ 2,294,005</u>	<u>\$ 4,044,001</u>	<u>\$ 3,215,503</u>
Government of Canada:			
Secretary of State:			
Minority language	\$ 49,000	\$ 67,945	\$ 76,351
French special projects	209,285	255,046	230,820
Employment and Immigration Canada	-	-	2,323
Other	<u>-</u>	<u>1,146</u>	<u>17,308</u>
	<u>\$ 258,285</u>	<u>\$ 324,137</u>	<u>\$ 326,802</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures

Year Ended March 31, 2007

2007 Budget

2007 Actual

2006 Actual

Board Governance:

Member honorarium	\$ 146,500	\$ 146,502	\$ 146,501
Secretarial wages	46,701	46,028	45,423
Benefits	19,710	13,880	15,720
Travel	34,583	37,582	41,733
Telecommunications	10,000	6,481	7,279
Supplies and materials	15,860	27,990	7,644
Professional development	37,200	37,022	39,907
Dues and fees	101,404	101,404	102,222
	<u>\$ 411,958</u>	<u>\$ 416,889</u>	<u>\$ 406,429</u>

Regional Management:

Salaries and wages	\$ 3,076,253	\$ 2,977,879	\$ 2,751,736
Employee benefits	423,099	428,912	350,887
Travel	120,984	127,710	128,108
Professional fees	141,500	95,412	160,460
Consulting and contracted services	91,000	72,997	160,082
Equipment	60,000	60,010	81,628
Telecommunications	80,400	88,637	76,528
Advertising	48,998	37,789	48,413
Supplies and materials	311,360	273,217	314,492
Professional development	90,890	69,540	64,817
Administrative services	157,800	145,440	154,017
	<u>\$ 4,602,284</u>	<u>\$ 4,377,543</u>	<u>\$ 4,291,168</u>

School Management and Support:

Salaries and wages	\$ 13,420,053	\$ 13,580,910	\$ 12,530,469
Employee benefits	1,146,454	1,154,873	1,004,507
Travel	183,583	193,840	136,535
Equipment	-	348,952	458,948
Telecommunications	53,175	73,522	52,762
Curriculum development	2,196,367	1,188,813	1,608,618
Supplies and materials	1,116,110	1,633,964	985,928
Professional development	1,076,094	862,219	781,588
	<u>\$ 19,191,836</u>	<u>\$ 19,037,093</u>	<u>\$ 17,559,355</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)

Year Ended March 31, 2007

2007 Budget

2007 Actual

2006 Actual

Instruction and School Services:

Salaries and wages	\$ 76,969,876	\$ 78,583,704	\$ 75,212,810
Employee benefits	4,381,005	4,544,757	4,511,999
Service awards (Note 4)	1,034,000	1,147,266	1,588,901
Service award interest expense (Note 4)	-	1,042,500	1,225,100
Travel	57,316	108,983	124,381
Equipment	120,130	189,570	308,681
Telecommunications	555,159	541,772	557,474
Textbook credit allocation	1,457,700	1,630,299	1,606,041
Curriculum development	204,321	181,619	109,930
Supplies and materials	1,951,975	2,092,650	2,119,255
Professional development	69,000	9,906	32,668
	<u>\$ 86,800,482</u>	<u>\$ 90,073,026</u>	<u>\$ 87,397,240</u>

Student Support:

Salaries and wages	\$ 19,552,350	\$ 19,399,361	\$ 17,596,080
Employee benefits	1,764,567	1,881,596	1,625,349
Travel	131,429	135,188	116,836
Equipment	-	58,793	17,128
Telecommunications	30,900	26,125	32,668
Curriculum development	281,078	140,057	131,050
Supplies and materials	232,900	298,979	312,047
Professional development	9,400	46,352	61,398
	<u>\$ 22,002,624</u>	<u>\$ 21,986,451</u>	<u>\$ 19,892,556</u>

Adult and Community Education:

Salaries and wages	\$ 986,929	\$ 945,683	\$ 819,012
Employee benefits	158,912	95,518	135,648
Travel	14,456	20,432	23,095
Facilities rental	2,500	-	77
Equipment	45,600	66,395	63,100
Telecommunications	18,000	23,488	19,042
Advertising	33,000	23,361	26,488
Supplies and materials	75,800	80,344	75,797
Professional development	8,500	6,056	16,993
	<u>\$ 1,343,697</u>	<u>\$ 1,261,277</u>	<u>\$ 1,179,252</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)

Year Ended March 31, 2007

2007 Budget

2007 Actual

2006 Actual

Property Services:

Salaries and wages	\$ 8,717,560	\$ 8,595,810	\$ 8,838,373
Employee benefits	1,552,987	1,586,257	1,578,977
Travel	33,360	29,690	21,990
Contracted services	711,800	865,539	496,145
Repairs and maintenance	2,877,414	2,733,197	4,496,963
Vehicle	213,000	274,969	168,024
Telecommunications	48,000	87,580	90,394
Supplies and materials	592,000	418,150	649,171
Utilities	7,526,298	6,679,470	6,286,317
Professional development	15,000	19,624	27,660
Insurance	638,120	628,310	601,221
	<u>\$ 22,925,539</u>	<u>\$ 21,918,596</u>	<u>\$ 23,255,235</u>

Pupil Transportation:

Salaries and wages	\$ 4,608,192	\$ 4,641,161	\$ 4,465,551
Employee benefits	975,352	836,378	808,512
Travel	6,672	479	1,498
Equipment	20,000	39,246	33,757
Vehicle	1,961,400	1,908,094	1,855,410
Contract conveyance	2,245,000	2,170,806	1,883,108
Telecommunications	45,000	36,866	44,524
Supplies and materials	66,000	22,705	141,100
Utilities	59,000	53,851	51,445
Professional development	15,000	25,173	20,439
Insurance	257,372	257,372	234,634
	<u>\$ 10,258,988</u>	<u>\$ 9,992,131</u>	<u>\$ 9,539,978</u>

Other Programs:

Salaries and wages	\$ 342,166	\$ 409,190	\$ 329,079
Employee benefits	23,836	29,796	22,357
Travel	18,904	32,425	18,400
Homestays	418,000	633,087	461,019
Telecommunications	6,000	9,853	6,044
Supplies and materials	249,500	423,871	255,391
Dues and fees	2,300	798	-
	<u>\$ 1,060,706</u>	<u>\$ 1,539,020</u>	<u>\$ 1,092,290</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule C - Supplementary Details of Tangible Capital Assets

Year Ended March 31, 2007

	<u>Land</u>	<u>Building</u>	<u>Vehicles</u>	<u>2007 Total</u>	<u>2006 Total</u>
Cost:					
Opening Balance	\$ 117,892	\$ 2,451,769	\$ 602,859	\$ 3,172,520	\$ 2,980,790
Additions	-	-	103,151	103,151	191,730
Disposals	-	-	-	-	-
Closing Balance	<u>117,892</u>	<u>2,451,769</u>	<u>706,010</u>	<u>3,275,671</u>	<u>3,172,520</u>
Accumulated Amortization:					
Opening Balance	-	366,665	216,280	582,945	351,080
Disposals	-	-	-	-	-
Amortization Expense	-	104,255	135,303	239,558	231,865
Closing Balance	-	<u>470,920</u>	<u>351,583</u>	<u>822,503</u>	<u>582,945</u>
Net Book Value	<u>\$ 117,892</u>	<u>\$ 1,980,849</u>	<u>\$ 354,427</u>	<u>\$ 2,453,168</u>	<u>\$ 2,589,575</u>
Net Book Value:					
Opening Balance	\$ 117,892	\$ 2,085,104	\$ 386,579	\$ 2,589,575	\$ 2,629,710
Closing Balance	<u>117,892</u>	<u>1,980,849</u>	<u>354,427</u>	<u>2,453,168</u>	<u>2,589,575</u>
Decrease In Net Book Value	<u>\$ -</u>	<u>\$ (104,255)</u>	<u>\$ (32,152)</u>	<u>\$ (136,407)</u>	<u>\$ (40,135)</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD
Schedule D - Trust Fund Balance Sheet

March 31, 2007

2007

2006

Assets

Cash	\$ 50,929	\$ 108,478
Investments	<u>380,004</u>	<u>320,558</u>
	<u>\$ 430,933</u>	<u>\$ 429,036</u>

Equity

Trust Funds (Schedule E)	<u>430,933</u>	<u>429,036</u>
	<u>\$ 430,933</u>	<u>\$ 429,036</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chairperson

_____ Board Member

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD


Schedule E - Supplementary Details of Trust Funds

Year Ended March 31, 2007

	2006	Addition	Interest	Disbursement	2007
ARHS Prize	\$ 1,921	\$ -	\$ 69	\$ 50	\$ 1,940
Biggs	21,650	-	469	1,250	20,869
Blaikie	498	-	11	500	9
Brine	1,199	-	47	20	1,226
Campbell	1,205	-	26	25	1,206
Chignecto Family	8,028	7,050	356	9,500	5,934
Christie	16,864	871	472	1,000	17,207
Cole	2,045	-	43	50	2,038
Coleman	-	250	-	250	-
Decker	5,782	90	226	100	5,998
Dempsey	111	-	-	100	11
Devenne	5,126	-	195	500	4,821
Dowe	707	-	34	726	15
Dunbar	3,000	-	116	55	3,061
Eaton	1,508	-	65	-	1,573
Edwards	5,943	1,299	136	500	6,878
Fields	1,724	-	67	35	1,756
Fife	25	4,025	-	4,050	-
Fulmer	26,219	-	2,001	500	27,720
Gosse	3,145	-	132	100	3,177
Harrison	5,337	150	197	500	5,184
Hewson	23,302	-	907	400	23,809
Hunter	45,593	-	892	500	45,985
Kirkpatrick	1,113	-	8	500	621
LaFarge	7,342	-	213	1,500	6,055
Loggie	14,099	-	417	113	14,403
MacInnis	2,000	-	-	-	2,000
MacKenzie	12,014	-	336	350	12,000
McBrien	4,628	-	149	250	4,527
MacIver	1,537	-	58	50	1,545
McIver	6,002	-	226	150	6,078
Milner	1,629	100	54	100	1,683
Parrsboro Prize	1,010	-	35	25	1,020
Pugsley	82,108	-	2,636	2,925	81,819
Red Cross	3,001	-	102	20	3,083
Roach	1,286	-	55	-	1,341
Smith	1,531	-	60	30	1,561
Sorge	5,471	-	212	100	5,583
Stay-In-School	14,356	-	390	200	14,546
Taylor	6,712	-	270	500	6,482
Thompson	13,036	-	446	200	13,282
Tingley	13,405	-	286	500	13,191
Tye	49,421	3,390	1,261	1,000	53,072
Wilkes	6,403	550	171	500	6,624
	<u>\$ 429,036</u>	<u>\$ 17,775</u>	<u>\$ 13,846</u>	<u>\$ 29,724</u>	<u>\$ 430,933</u>

Colchester East Hants Health Authority
Financial Statements
March 31, 2007

Grant Thornton 

Grant Thornton 

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Board of Directors of
Colchester East Hants Health Authority

We have audited the statement of financial position of **Colchester East Hants Health Authority** as at March 31, 2007 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Colchester East Hants Health Authority** as at March 31, 2007, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Truro, Nova Scotia
May 31, 2007

Grant Thornton LLP
Chartered Accountants

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Colchester East Hants Health Authority

Statement of Financial Position

March 31, 2007

	Operating Fund	Capital Fund	New Hospital Fund	Total 2007	Total 2006
Assets					
Current					
Cash and cash equivalents (Note 3)	\$ 3,829,895	\$ -	\$ 5,943	\$ 3,835,838	\$ 2,902,552
Receivables (Note 4)	3,997,876	678,281	332,318	5,008,475	5,206,309
Due from Other Funds	78,112	749,088	-	827,200	322,174
Inventories	427,855	-	-	427,855	432,085
Prepays	<u>335,003</u>	-	-	<u>335,003</u>	<u>261,347</u>
	8,668,741	1,427,369	338,261	10,434,371	9,124,467
Other receivables (Note 5)	3,668,465	-	-	3,668,465	3,314,530
Capital assets (Note 6)	-	<u>9,925,805</u>	<u>3,072,834</u>	<u>12,998,639</u>	<u>13,031,424</u>
	<u>\$ 12,337,206</u>	<u>\$ 11,353,174</u>	<u>\$ 3,411,095</u>	<u>\$ 27,101,475</u>	<u>\$ 25,470,421</u>
Liabilities					
Current					
Payables and accruals (Note 7)	\$ 6,502,088	\$ 476,709	\$ 216,980	\$ 7,195,777	\$ 6,714,498
Due to Other Funds	749,088	-	78,112	827,200	322,174
Deferred revenue	<u>1,417,565</u>	<u>963,359</u>	-	<u>2,380,924</u>	<u>2,364,893</u>
	8,668,741	1,440,068	295,092	10,403,901	9,401,565
Retirement allowances (Note 8)	3,505,865	-	-	3,505,865	3,314,530
Retirement health benefits (Note 8)	<u>162,600</u>	-	-	<u>162,600</u>	-
	<u>12,337,206</u>	<u>1,440,068</u>	<u>295,092</u>	<u>14,072,366</u>	<u>12,716,095</u>
Fund balances (Page 4)					
Restricted	-	-	3,116,003	3,116,003	1,488,331
Unrestricted deficit	-	-	-	-	(279,049)
Unrestricted - investment in capital assets	-	<u>9,913,106</u>	-	<u>9,913,106</u>	<u>11,545,044</u>
	-	<u>9,913,106</u>	<u>3,116,003</u>	<u>13,029,109</u>	<u>12,754,326</u>
	<u>\$ 12,337,206</u>	<u>\$ 11,353,174</u>	<u>\$ 3,411,095</u>	<u>\$ 27,101,475</u>	<u>\$ 25,470,421</u>

Commitments (Note 11)

On Behalf of the Board

Chair

Chief Executive Officer

See accompanying notes to the financial statements

Colchester East Hants Health Authority

Statement of Operations – Operating Fund

Year Ended March 31

2007

2006

Revenues

Nova Scotia Department of Health	\$ 53,822,980	\$ 51,016,633
Charges to M.S.I.	3,407,444	3,298,938
Department of Veterans Affairs	565,454	422,561
In-patients	520,196	666,698
Out-patients	313,518	375,738
Rental income	59,793	73,518
Addiction services	90,750	81,454
Operating room services	116,196	107,200
Investment income	124,404	77,383
Food services	135,901	142,326
Foundation	401,947	342,962
Laboratory	199,377	165,350
Health Information Technology Services	135,824	-
Other income	120,376	86,208
	<u>60,014,160</u>	<u>56,856,969</u>

Expenses

In-patient services	20,393,540	19,207,886
Ambulatory services	12,601,679	11,739,053
Diagnostic and therapeutic services	9,798,527	9,026,984
Support services	12,353,942	13,149,647
Community health board initiatives	58,353	110,560
Community services	3,833,751	2,893,876
Education and library	271,568	105,865
Retirement allowance benefits	527,535	753,244
Retirement health benefits	162,600	-
	<u>60,001,495</u>	<u>56,987,115</u>

Excess of revenues over expenses

(expenses over revenues), before final settlement

12,665 (130,146)

DOH – final settlement266,384 -**Excess of revenues over expenses**

(expenses over revenues)

\$ 279,049 \$ (130,146)

See accompanying notes to the financial statements

Colchester East Hants Health Authority

Statement of Changes in Fund Balances

Year Ended March 31, 2007

	Operating Fund	Capital Fund	New Hospital Fund	Total 2007	Total 2006
Restricted					
Balance, beginning of year	\$ -	\$ -	\$ 1,488,331	\$ 1,488,331	\$ -
Investment income	-	-	19,545	19,545	20,558
Transfer from unrestricted	-	-	-	-	217,434
Capital asset funding					
Department of Health	-	-	1,206,095	1,206,095	937,754
Foundation	-	-	402,032	402,032	312,585
Balance, end of year	\$ -	\$ -	\$ 3,116,003	\$ 3,116,003	\$ 1,488,331
Unrestricted					
Balance, beginning of year	\$ (279,049)	\$ 11,545,044	\$ -	\$ 11,265,995	\$ 13,783,395
Transfer to restricted	-	-	-	-	(217,434)
Excess (deficiency) of revenues over expenses	279,049	-	-	279,049	(130,146)
Capital asset funding					
Department of Health	-	1,023,553	-	1,023,553	478,061
Department of Health - Federally funded medical equipment	-	650,000	-	650,000	471,604
Foundations	-	474,085	-	474,085	417,396
Auxiliaries	-	-	-	-	8,479
Amortization	-	(3,779,576)	-	(3,779,576)	(3,545,360)
Balance, end of year	\$ -	\$ 9,913,106	\$ -	\$ 9,913,106	\$ 11,265,995

See accompanying notes to the financial statements

Colchester East Hants Health Authority

Statement of Cash Flows

Year Ended March 31

2007

2006

Increase (decrease) in cash and cash equivalents

Operations

Excess (deficiency) of revenues over expenses

– Operating Fund

\$ 279,049 \$ (130,146)

Investment income – New Hospital Fund

19,545 20,558298,594 (109,588)

Change in non-cash working capital

Receivables

197,834 2,936,379

Inventories

4,230 (44,205)

Prepays

(73,656) (79,171)

Payables and accruals

481,279 (632,739)

Deferred revenue

16,031 (2,673,308)924,312 (602,632)**Financing and Investing**

Capital asset funding

3,755,765 2,625,879

Purchase of capital assets

(3,778,839) (2,627,340)

Proceeds from sale of equipment

32,048 -8,974 (1,461)

Net increase (decrease) in cash and cash equivalents

933,286 (604,093)

Cash and cash equivalents, beginning of year

2,902,552 3,506,645

Cash and cash equivalents, end of year

\$ 3,835,838 \$ 2,902,552

See accompanying notes to the financial statements

Colchester East Hants Health Authority

Notes to the Financial Statements

March 31, 2007

1. Nature of operations

Colchester East Hants Health Authority operates several health care facilities and programs including Colchester Regional Hospital, Lillian Fraser Memorial Hospital, public health, addictions and related health services.

Colchester East Hants Health Authority was formed by the *Health Authorities Act* of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Colchester East Hants Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and health services referred to above.

The Colchester East Hants Health Authority is a registered charity under the *Income Tax Act* of Canada and therefore, is exempt from income tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Health Authority's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Actual results could differ from those reported.

Fund accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the Health Authority's capital assets. The New Hospital Fund reports the assets, liabilities and revenues related to the Health Authority's Colchester Regional Hospital Replacement Project.

Revenue recognition

Colchester East Hants Health Authority follows the deferral method of accounting for contributions.

- i) Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.
- ii) Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.
- iii) Capital contributions are treated as additions to investment in capital assets in the period in which the asset is acquired.

Colchester East Hants Health Authority

Notes to the Financial Statements

March 31, 2007

2. Summary of significant accounting policies (continued)

Inventories

Inventories are recorded at the lower of average cost or replacement value.

Capital assets

Assets purchased during the year are recorded in the Capital Fund at cost. Amortization is provided on a straight line basis as follows:

Buildings and land improvements – Colchester Regional Hospital	7 years
Buildings – Lillian Fraser Memorial Hospital	50 years
Land improvements – Lillian Fraser Memorial Hospital	20 years
Equipment	3-20 years
Equipment under capital lease	3-20 years

Amortization on construction in progress is not recorded until the projects are completed.

Effective April 1, 2006, the Health Authority revised the basis for equipment amortization from 5-20 years to 3-20 years to more accurately reflect the estimated useful life of the equipment. The change in amortization rates for equipment has been applied prospectively.

Compensation accruals

Colchester East Hants Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime, call back and statutory holiday.

Retirement allowances and retirement health benefits

The Health Authority accrues its retirement allowance, retirement health benefit obligations and the related costs, net of plan assets. The cost of retirement benefits (allowances) and retirement health benefits earned by employees is actuarially determined using the projected benefit method prorated on service.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Financial instruments

The Health Authority's financial instruments consist of cash and cash equivalents, receivables and payables and accruals. Unless otherwise noted, it is management's opinion that the Health Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying value of these financial instruments approximate their fair value unless otherwise noted.

Colchester East Hants Health Authority

Notes to the Financial Statements

March 31, 2007

3. Restricted cash

The Health Authority has included in its cash and cash equivalents restricted cash totalling \$46,167 (2006 - \$61,052) held in trust on behalf of employees' deferred salary arrangements. An offset liability is included in payables and accruals and will be paid out in accordance with the terms and conditions of the arrangements.

4. Receivables	Operating Fund	Capital Fund	New Hospital Fund	Total 2007	Total 2006
Charges to M.S.I.	\$ 189,015	\$ -	\$ -	\$ 189,015	\$ 242,788
Foundations and auxiliaries	69,290	358,351	106,577	534,218	820,903
Harmonized sales tax	208,126	92,216	62,660	363,002	330,518
Patients	348,444	-	-	348,444	388,993
Veterans Affairs Canada	98,053	-	-	98,053	82,967
Other District Health Authorities	144,064	-	-	144,064	196,430
Other	230,767	-	-	230,767	258,793
	<u>1,287,759</u>	<u>450,567</u>	<u>169,237</u>	<u>1,907,563</u>	<u>2,321,392</u>
Nova Scotia Department of Health					
Construction and equipment	-	227,714	163,081	390,795	506,284
Contracts and other	1,128,554	-	-	1,128,554	1,186,464
Vacation pay	1,315,179	-	-	1,315,179	1,192,169
Final settlement	266,384	-	-	266,384	-
	<u>2,710,117</u>	<u>227,714</u>	<u>163,081</u>	<u>3,100,912</u>	<u>2,884,917</u>
	<u>\$ 3,997,876</u>	<u>\$ 678,281</u>	<u>\$ 332,318</u>	<u>\$ 5,008,475</u>	<u>\$ 5,206,309</u>

The resolution of final settlement estimates are dependent upon approval of the Department of Health. An adjustment, if any, on the resolution of these amounts will be accounted for as an adjustment to fund balances in the period in which they occur.

5. Other receivables	Total 2007	Total 2006
Nova Scotia Department of Health		
Retirement allowances	\$ 3,505,865	\$ 3,314,530
Retirement health benefits	<u>162,600</u>	-
	<u>\$ 3,668,465</u>	<u>\$ 3,314,530</u>

Colchester East Hants Health Authority

Notes to the Financial Statements

March 31, 2007

6. Capital assets

			2007	2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Capital Fund				
Land	\$ 155,349	\$ -	\$ 155,349	\$ 155,349
Land improvements	272,415	180,795	91,620	133,892
Buildings	19,292,722	13,508,766	5,783,956	7,028,912
Equipment	9,018,421	5,386,204	3,632,217	3,755,744
Equipment under capital lease	174,693	171,632	3,061	20,533
Construction in progress	259,602	-	259,602	469,221
	<u>29,173,202</u>	<u>19,247,397</u>	<u>9,925,805</u>	<u>11,563,651</u>
New Hospital Fund				
Land and site costs	1,301,415	-	1,301,415	1,301,415
Construction in progress	1,771,419	-	1,771,419	166,358
	<u>3,072,834</u>	<u>-</u>	<u>3,072,834</u>	<u>1,467,773</u>
	<u>\$ 32,246,036</u>	<u>\$ 19,247,397</u>	<u>\$ 12,998,639</u>	<u>\$ 13,031,424</u>

7. Payables and accruals	Operating Fund	Capital Fund	New Hospital Fund	Total 2007	Total 2006
Trade	\$ 4,367,948	\$ 476,709	\$ 216,980	\$ 5,061,637	\$ 4,742,465
Vacation pay	<u>2,134,140</u>	<u>-</u>	<u>-</u>	<u>2,134,140</u>	<u>1,972,033</u>
	<u>\$ 6,502,088</u>	<u>\$ 476,709</u>	<u>\$ 216,980</u>	<u>\$ 7,195,777</u>	<u>\$ 6,714,498</u>

8. Retirement allowances and retirement health benefits

Retirement allowances paid to employees upon retirement are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, agencies and boards. The last actuarial valuation was conducted as at December 31, 2005.

Certain employees are entitled to cost-sharing on health benefits following retirement as a result of CUPE contract settlements during the year. The Province of Nova Scotia contracted a third party to perform an actuarial valuation for the health authorities as at April 1, 2006.

Colchester East Hants Health Authority

Notes to the Financial Statements

March 31, 2007

8. Retirement allowances and retirement health benefits (continued)

The retirement allowance and retirement health benefit values are calculated by the Department of Finance for the Health Authority using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 13 and 11 years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds these liabilities, thus an offsetting receivable balance is recorded.

Information respecting the retirement allowances and retirement health benefits is as follows:

	Retirement Allowances	Retirement Health Benefits	Total 2007	Total 2006
Accrued benefit obligation				
Balance, beginning of year	\$ 3,314,530	\$ -	\$ 3,314,530	\$ 2,859,386
Current service cost	293,500	10,500	304,000	255,200
Plan amendment	-	143,600	143,600	-
Interest cost	196,700	8,500	205,200	206,900
Amortization of experience gains	37,335	-	37,335	291,144
Benefits paid	(336,200)	-	(336,200)	(298,100)
Balance, end of year	\$ 3,505,865	\$ 162,600	\$ 3,668,465	\$ 3,314,530
Funded status – plan deficit	\$ (3,536,300)	\$ (162,600)	\$ (3,698,900)	\$ (3,662,200)
Unamortized net actuarial loss	30,435	-	30,435	347,670
Accrued benefit liability recognized	\$ (3,505,865)	\$ (162,600)	\$ (3,668,465)	\$ (3,314,530)

The Health Authority's net expense for the retirement allowances and benefits is as follows:

Retirement allowance expense	\$ 527,535	\$ 162,600	\$ 690,135	\$ 753,244
------------------------------	------------	------------	------------	------------

The following actuarial assumptions have been used in the determination of the accrued benefit obligations at March 31, 2007:

	Allowances	Benefits
Discount rate	5.70%	5.70%
Rate of compensation increase	2.65 – 5.15%	N/A
Termination rates	1.2 – 20%	0 – 20%

Colchester East Hants Health Authority

Notes to the Financial Statements

March 31, 2007

8. Retirement allowances and retirement health benefits (continued)

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement pension, and the remainder will retire on their normal retirement date, which is their 65th birthday. In calculating the retirement health benefits liability, it was further assumed that the retirement age is assumed at 75% at earliest age eligible for unreduced pension. The attribution period is assumed from the date of hire to attainment of earliest age eligible for unreduced pension and fifteen years of service. It is assumed 70% of members will elect family coverage when they reach retirement age. The participation rate is limited to those currently enrolled in the active employee health plan, and from those, 95% will elect at retirement to continue their participation in the subsidized retiree health plan.

9. Pension Plans

The Health Authority contributes to the following pension plans on behalf of its employees:

- (i) a multi-employer defined benefit plan, as administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at December 31, 2005, which indicated a funding surplus.
- (ii) the second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2005. At this time, there was an unfunded liability. The Colchester East Hants Health Authority bears no direct financial responsibility for the unfunded liability of the plan.

The Health Authority's pension expense for the year amounted to \$2,072,411 (2006 - \$1,823,538).

10. Credit facilities

The Health Authority has a financing arrangement with a financial institution which provides an available operating line of credit totalling \$1,000,000, all of which is unused at March 31, 2007.

Colchester East Hants Health Authority

Notes to the Financial Statements

March 31, 2007

11. Commitments

- (a) Colchester East Hants Health Authority is committed to the following operating and occupancy lease payments in each of the next five fiscal years ended March 31:

2008	\$	372,661
2009	\$	342,633
2010	\$	292,298
2011	\$	266,889
2012	\$	266,889

- (b) As of March 31, 2007, the Health Authority has entered into contracts to spend \$6,089,880 on additions to property and equipment. Of this amount, \$327,671 relates to the Lillian Fraser Memorial Hospital renovation projection with the balance relating to the Colchester Regional Hospital replacement project.

12. Related entities

The Health Authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The Health Authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2007 are available from the individual financial statements of the related entities.

13. Comparative figures

Certain of the 2006 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2007.

Conseil scolaire acadien provincial**États financiers****31 mars 2007**

Grant Thornton LLP
Chartered Accountants
Management Consultants

Grant Thornton 

RAPPORT DES VÉRIFICATEURS

Au président et aux membres du
Conseil scolaire acadien provincial

Nous avons vérifié les états de la situation financière du **Conseil scolaire acadien provincial** en date du **31 mars 2007** et les états des résultats et surplus accumulés, des flux de l'endettement net et des flux de trésorerie de l'exercice terminé à cette date. Ces états financiers sont la responsabilité de l'administration du Conseil scolaire. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

À l'exception de ce qui est mentionné dans le paragraphe ci-dessous, notre vérification a été effectuée conformément aux normes de vérification généralement reconnues au Canada. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des informations probantes à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

La Province de la Nouvelle-Écosse a mis en application un nouveau manuel de comptabilité au 30 mars 2005 qui exige que les fonds générée par les écoles, incluant la situation financière, les revenus et les dépenses, soient présentés comme partie des états financiers des conseils scolaires. Le Conseil scolaire acadien provincial n'a pas comptabilisé ces fonds, et ne pouvait pas nous fournir l'information financière à cet égard, sauf ce qui est présenté en note 5. Conséquemment, nous n'étions pas capable de vérifier aucun des fonds générés par les écoles.

À notre avis, à l'exception de l'effet des éventuels redressements que nous aurions pu juger nécessaires si nous avions été en mesure de vérifier si les fonds générés mentionnés au paragraphe précédent avaient tous été comptabilisés, ces états financiers présentent fidèlement, à tous égards importants, la situation financière du **Conseil scolaire acadien provincial** au 31 mars 2007, ainsi que les résultats de ses activités et de ses flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables généralement reconnus pour le secteur publique.

Grant Thornton LLP

Yarmouth, Nouvelle-Écosse
le 15 juin 2007

Comptables agréés

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Conseil scolaire acadien provincial

État de la situation financière

Au 31 mars

2007

2006

Actifs financiers		
Encaisse	- \$	474 367 \$
Sommes à recevoir		
Province de la Nouvelle-Écosse	3 843 574	3 287 469
Gouvernement du Canada	2 454 387	1 620 470
Municipalités	568 400	-
Autres	473 907	234 811
Total des actifs financiers	7 340 268 \$	5 617 117 \$
Passifs financiers		
Découvert	30 778 \$	- \$
Sommes à payer – fournisseurs	2 867 608	1 953 873
Sommes à payer		
Province de la Nouvelle-Écosse	27 521	35 334
Gouvernement du Canada	357 629	330 272
Municipalités	17 338	97 966
Autres	5 690	31 206
Avantages postérieurs à l'emploi	636 163	606 953
Revenus reportés	1 554 970	422 725
Province de la Nouvelle-Écosse - régime de retraite	1 843 244	2 164 515
Total des passifs financiers	7 340 941	5 642 844
Endettement net	(673)	(25 727)
Actifs non financiers		
Immobilisations (Annexe C)	111 451	-
Frais payés d'avance	21 196	48 744
Total des actifs non financiers	132 647	48 744
Surplus accumulé	131 974 \$	23 017 \$

Ratifié au nom du Conseil scolaire

_____ président

_____ membre du Conseil

Voir les notes explicatives qui accompagnent ces états financiers.

Grant Thornton 

Conseil scolaire acadien provincial

État des résultats et surplus accumulés

Exercice clos le 31 mars

2007

2006

	<u>Budget</u>	<u>Actuel</u>	<u>Actuel</u>
Revenus (Annexe A)			
Province de la Nouvelle-Écosse	36 082 400 \$	36 714 263 \$	33 449 946 \$
Gouvernement du Canada	1 747 620	1 357 673	1 759 818
Allocations des conseils municipaux	-	-	-
Autres revenus	177 000	541 004	463 162
Projet – élaboration de programmes	724 600	784 600	811 060
Total des revenus	<u>38 731 620</u>	<u>39 397 540</u>	<u>36 483 986</u>
Dépenses			
Gouvernance du conseil scolaire (Annexe B)	493 571	473 222	416 768
Administration du conseil scolaire (Annexe B)	2 029 186	1 929 002	1 805 035
Administration scolaire et soutien (Annexe B)	3 093 044	3 375 925	2 896 159
Instruction et services scolaires (Annexe B)	19 161 166	18 662 986	17 291 833
Services aux élèves (Annexe B)	4 097 387	3 897 991	3 579 988
Service d'entretien (Annexe B)	4 724 665	5 483 268	4 981 467
Transport scolaire (Annexe B)	4 290 513	4 345 173	4 084 739
Autres programmes	117 488	336 416	78 778
Projet – élaboration de programmes	724 600	784 600	811 060
	<u>38 731 620</u>	<u>39 288 583</u>	<u>35 945 827</u>
Surplus annuel	-	108 957	538 159
Surplus (déficit) accumulé, au début de l'exercice	-	23 017	(515 142)
Surplus accumulé, à la fin de l'exercice	-	<u>131 974 \$</u>	<u>23 017 \$</u>

État des flux de l'endettement net

Endettement net, au début de l'exercice	<u>(25 727) \$</u>	<u>(546 864) \$</u>
Changements durant l'exercice		
Surplus annuel	108 957	538 159
Immobilisations	(167 176)	-
Amortissement des immobilisations	55 725	-
(Augmentation) diminution des frais payés d'avance	<u>27 548</u>	<u>(17 022)</u>
Diminution de l'endettement net	<u>25 054</u>	<u>521 137</u>
Endettement net, à la fin de l'exercice	<u>(673) \$</u>	<u>(25 727) \$</u>

Voir les notes explicatives qui accompagnent ces états financiers.

Conseil scolaire acadien provincial

États des flux de trésorerie

Exercice clos le 31 mars

	2007	2006
Transactions opérationnelles		
Surplus annuel	108 957 \$	538 159 \$
Sommes à recevoir	(2 197 518)	155 748
Dépenses payées d'avance	27 548	(17 022)
Sommes à payer	535 074	(1 028 291)
Revenus reportés	<u>1 132 245</u>	<u>366 324</u>
(Utilisé) fourni par les transactions opérationnelles	<u>(393 694)</u>	<u>14 918</u>
Transactions capitales		
Acquisition d'immobilisations	<u>(111 451)</u>	<u>-</u>
Appliqué aux transactions capitales	<u>(111 451)</u>	<u>-</u>
(Baisse) augmentation de trésorerie	(505 145)	14 918
Encaisse, au début de l'exercice	<u>474 367</u>	<u>459 449</u>
(Découvert) encaisse, à la fin de l'exercice	<u>(30 778) \$</u>	<u>474 367 \$</u>

Voir les notes explicatives qui accompagnent ces états financiers.

Conseil scolaire acadien provincial **Annexe A - Détails supplémentaires - revenus**

Exercice clos le 31 mars

2007

2006

Revenus	<u>Budget</u>	<u>Actuel</u>	<u>Actuel</u>
Province de la Nouvelle-Écosse			
Fonctionnement	30 781 200 \$	30 781 202 \$	30 311 701 \$
Affectés	4 832 200	4 561 781	2 116 057
Autres	<u>469 000</u>	<u>1 371 280</u>	<u>1 022 188</u>
	<u>36 082 400 \$</u>	<u>36 714 263 \$</u>	<u>33 449 946 \$</u>
Gouvernement du Canada			
Fonds minoritaires	148 760 \$	147 819 \$	147 444 \$
Projets, stratégies, autres	<u>1 598 860</u>	<u>1 209 854</u>	<u>1 612 374</u>
	<u>1 747 620 \$</u>	<u>1 357 673 \$</u>	<u>1 759 818 \$</u>
Autres revenus			
Générés par le Conseil	75 000 \$	126 327 \$	74 374 \$
Location	12 000	12 000	7 000
Intérêts	30 000	82 517	31 268
Remboursement – non gouvernemental	-	222 999	306 271
Vente de véhicules/matériel	10 000	3 162	-
Dons	10 000	3 083	2 176
Autres	<u>40 000</u>	<u>90 916</u>	<u>42 073</u>
	<u>177 000 \$</u>	<u>541 004</u>	<u>463 162 \$</u>
Élaboration de programmes			
Entente	534 600 \$	534 600 \$	534 600 \$
Projets	<u>190 000</u>	<u>250 000</u>	<u>276 460</u>
	<u>724 600 \$</u>	<u>784 600 \$</u>	<u>811 060 \$</u>
	<u>38 731 620 \$</u>	<u>39 397 540 \$</u>	<u>36 483 986 \$</u>

Conseil scolaire acadien provincial

Annexe B - Détails supplémentaires - dépenses

Exercice clos le 31 mars

2007

2006

	<u>Budget</u>	<u>Actuel</u>	<u>Actuel</u>
Dépenses			
Gouvernance du Conseil scolaire			
Membres du Conseil	380 220 \$	371 649 \$	311 573 \$
Secrétariat du Conseil	59 107	53 269	52 531
NSSBA et autres	<u>54 244</u>	<u>48 304</u>	<u>52 664</u>
	<u>493 571 \$</u>	<u>473 222 \$</u>	<u>416 768 \$</u>
Administration du Conseil scolaire			
Administration	1 114 319 \$	1 060 942 \$	1 033 320 \$
Service des finances	402 604	395 040	342 334
Service de ressources humaines	280 232	253 157	223 526
Communications	108 482	137 581	95 614
Informatique	<u>123 549</u>	<u>82 282</u>	<u>110 241</u>
	<u>2 029 186 \$</u>	<u>1 929 002 \$</u>	<u>1 805 035 \$</u>
Administration scolaire et soutien			
Administration	2 479 711 \$	2 554 045 \$	2 383 214 \$
Programmation et curriculum	429 514	635 269	344 189
Informatique	<u>183 819</u>	<u>186 611</u>	<u>168 756</u>
	<u>3 093 044 \$</u>	<u>3 375 925 \$</u>	<u>2 896 159 \$</u>
Instruction et services scolaires			
Instruction	17 747 873 \$	17 245 825 \$	16 312 229 \$
Service d'orientation	384 583	406 923	334 546
Bibliothèques	304 627	311 912	258 861
Technologie	724 083	642 601	386 197
Amortissement	-	55 725	-
	<u>19 161 166 \$</u>	<u>18 662 986 \$</u>	<u>17 291 833 \$</u>
Services aux élèves			
Administration	131 385 \$	112 258 \$	117 850
Instruction	1 628 337	1 423 592	1 386 735
Programmation et curriculum	<u>2 337 665</u>	<u>2 362 141</u>	<u>2 075 403</u>
	<u>4 097 387 \$</u>	<u>3 897 991 \$</u>	<u>3 579 988 \$</u>
Service d'entretien			
Administration	-	- \$	12 773
Conciergerie	1 427 805	1 481 082	1 386 219
Entretien	3 098 483	3 892 203	3 389 876
Terrains	<u>198 377</u>	<u>109 983</u>	<u>192 599</u>
	<u>4 724 665 \$</u>	<u>5 483 268 \$</u>	<u>4 981 467 \$</u>
Transport scolaire			
Administration (conseil)	69 689 \$	69 413 \$	67 659 \$
Transport (conseil)	1 091 669	1 132 106	1 059 873
Entretien (conseil)	418 247	347 068	396 356
Transport (sous - traitance)	2 708 946	2 794 795	2 558 946
Entretien des arrêts d'autobus (conseil)	<u>1 962</u>	<u>1 791</u>	<u>1 905</u>
	<u>4 290 513 \$</u>	<u>4 345 173 \$</u>	<u>4 084 739 \$</u>

Conseil scolaire acadien provincial

Annexe C – Détails supplémentaires des immobilisations

Exercice clos le 31 mars

2007

2006

	<u>Équipement périphérique</u>	<u>Total</u>	<u>Total</u>
Coûts des immobilisations			
Additions	<u>167 176 \$</u>	<u>167 176 \$</u>	<u>-</u>
	<u>167 176 \$</u>	<u>167 176 \$</u>	<u>- \$</u>
Amortissement cumulé			
Solde, au début de l'exercice	- \$	- \$	- \$
Amortissement	<u>55 725</u>	<u>55 725</u>	<u>-</u>
Solde, à la fin de l'exercice	<u>55 725 \$</u>	<u>55 725 \$</u>	<u>- \$</u>
Valeur comptable nette	<u>111 451 \$</u>	<u>111 451 \$</u>	<u>- \$</u>
Valeur comptable nette			
Solde, au début de l'exercice	- \$	- \$	- \$
Solde, à la fin de l'exercice	<u>111 451</u>	<u>111 451</u>	<u>-</u>
Augmentation dans la valeur comptable nette	<u>111 451 \$</u>	<u>111 451 \$</u>	<u>- \$</u>

Conseil Scolaire Acadien Provincial

Notes relatives aux états financiers

Exercice clos le 31 mars 2007

1. Conventions comptables

Sauf pour la présentation des fonds générés par les écoles, ces états financiers sont préparés selon les principes de comptabilité généralement acceptés au Canada pour le secteur public qui, pour fins des états financiers du Conseil scolaire, sont représentés par les recommandations du Conseil de comptabilité du secteur public (CCSP) de l'Institut canadien des comptables agréés (ICCA), augmentés où il est approprié par d'autres normes ou déclarations de comptabilité.

Ces états financiers ont été préparés en utilisant les conventions comptables significatives qui suivent:

Conventions comptables significatives

Revenus

Les revenus sont inscrits en utilisant la méthode de la comptabilité d'exercice. Les principales parties du revenu sont le financement de la province de Nouvelle-Écosse et du Gouvernement du Canada.

Dépenses

Les dépenses sont inscrites en utilisant la méthode de la comptabilité d'exercice et comprennent les coûts des inventaires d'approvisionnements achetés durant l'année. Des provisions sont prévues pour des pertes probables sur certains comptes à recevoir et responsabilités conditionnelles lorsqu'il est possible qu'une responsabilité existe et que le montant peut être déterminé de façon raisonnable. Ces provisions sont mises à jour lorsque les estimés sont révisés et/ou au moins annuellement.

Actifs financiers

Encaisse et les quasi-espèces sont inscrits au coût qui rapproche la valeur approximative du marché.

Les comptes à recevoir sont inscrits au montant principal moins les provisions pour créances douteuses.

Passifs

Les enseignants participent à un plan de pension établi par la Province de la Nouvelle-Écosse en vertu de la Teacher's Pension Act. Les autres employés participent à un plan de pension établi et géré par la Nova Scotia School Board Association.

Endettement net

L'endettement net représente l'excédent des passifs du Conseil sur les actifs financiers.

Surplus accumulé

Le surplus accumulé représente les passifs du Conseil scolaire moins les actifs financiers et les actifs non-financiers. Cela représente la balance accumulée du surplus/déficit accumulé découlant des opérations du Conseil.

Conseil Scolaire Acadien Provincial

Notes relatives aux états financiers

Exercice clos le 31 mars 2007

1. Conventions comptables (suite)

Actifs non-financiers

Les actifs corporels ont une vie utile qui s'étend plus loin que la période de comptabilité, sont maintenus pour l'approvisionnement de biens et services et ne sont pas vendus dans les opérations ordinaires du Conseil. Les actifs corporels sont inscrits au coût historique net (ou au coût estimé lorsque les coûts actuels ne sont pas connus) et comprennent tous les coûts attribuables directement aux acquisitions, constructions, développements et installations des actifs corporels, moins l'intérêt. Les actifs corporels comprennent les terrains, les édifices, l'équipement informatique et logiciels et les véhicules. Les actifs corporels ne comprennent pas les objets intangibles ou les actifs acquis par titres. Il est à noter que les édifices et les autobus financés par la Province de la Nouvelle-Écosse et transférés aux conseils scolaires sont comptabilisés dans les états financiers de la Province, et non pas dans ceux des conseils scolaires.

Les frais payés d'avance sont les déboursments comptants pour les biens ou services, sauf les actifs capitaux tangibles et les inventaires d'approvisionnements, dont tout ou une partie fournira des bénéfices économiques dans une ou plusieurs périodes futures. Le montant payé d'avance est reconnu comme une dépense dans l'année où les biens ou services sont utilisés ou épuisés.

2. Chiffres comparatifs

Certains chiffres dans la colonne comparative 2006 ont été reclassés afin de faciliter la présentation pour l'année courante.

3. Engagement(s)

Le Conseil scolaire acadien provincial complétera, dans son prochain exercice financier, l'achat de l'édifice de l'Université Sainte-Anne situé au 9248, route 1, à La Butte, Nouvelle-Écosse où son siège social est présentement localisé et le financement de la transaction, conformément aux exigences de la loi scolaire, par le biais de la Municipal Finance Corporation.

4. Endettement bancaire

Le Conseil scolaire acadien provincial, conformément à la loi scolaire, a une ligne de crédit autorisé de 356 000\$, en date du 31 mars 2007, avec la banque de Montréal. En date du 31 mars 2007 cette ligne de crédit n'était pas utilisée.

5. Fonds générés par les écoles

En date du 31 mars 2007 les écoles du Conseil avaient en caisse un montant de 871 119 \$ (849 101 \$ en date du 31 mars 2006) généré par les écoles pour, entre autres, les activités du Conseil des étudiants, les activités sportives, les activités de la cafétéria, les activités de la cantine et les voyages de fin d'année. Ce montant n'a pas été assujéti à une vérification, et n'est pas inclus dans ces états financiers, comme il est décrit dans le rapport des vérificateurs. Le détail des fonds (non-vérifiés) se présente comme suit:

Conseil Scolaire Acadien Provincial

Notes relatives aux états financiers

Exercice clos le 31 mars 2007

5. Fonds générés par les écoles (non- vérifiés) (suite)

	<u>le 31 mars 2006</u>	<u>Redressement</u>	<u>Additions</u>	<u>Déboursés</u>	<u>le 31 mars 2007</u>
Centre scolaire Étoile de l'Acadie	8 862 \$	- \$	68 033 \$	65 456 \$	11 439 \$
École acadienne de Pomquet	17 372	(1 380)	48 041	49 713	14 320
École acadienne de Truro	9 185	-	45 397	46 067	8 515
École Beaubassin	25 442	-	109 470	114 844	20 068
École Beau-Port	60 047	267	161 621	158 467	63 468
École Belleville	18 221	-	60 436	54 307	24 350
École Bois-Joli	30 499	222	80 035	68 581	42 175
École de la Rive-Sud	1 911	-	6 653	6 371	2 193
École du Carrefour	49 594	-	116 921	130 972	35 543
École Jean-Marie-Gay	31 714	(198)	64 574	61 134	34 956
École Joseph-Dugas	28 938	(755)	131 273	139 520	19 936
École NDA	135 985	9 562	218 722	201 984	162 285
École Pubnico-Ouest	33 991	(2 578)	81 284	76 370	36 327
École Rose-des-Vents	23 507	-	49 701	53 901	19 307
École Saint-Albert	40 833	540	37 848	37 418	41 803
École secondaire de Clare	135 382	-	229 689	200 269	164 802
École secondaire de Par-en-Bas	153 926	-	311 601	340 139	125 388
École Stella-Maris	26 279	1 299	86 018	82 495	31 101
École Wedgeport	<u>17 413</u>	<u>-</u>	<u>66 995</u>	<u>71 265</u>	<u>13 143</u>
	<u>849 101 \$</u>	<u>6,979 \$</u>	<u>1 974 312 \$</u>	<u>1 959 273 \$</u>	<u>871 119 \$</u>

Conserve Nova Scotia

**Financial Statements
March 31, 2007**

(unaudited)

**Conserve Nova Scotia
Statement of Financial Position
As at March 31, 2007**

Assets

Current Assets	
Petty Cash	\$ 200
Receivable from the Province of Nova Scotia	3,903,426
Total Assets	\$ <u>3,903,626</u>

Liabilities

Liabilities	
Accounts Payable	
Due to Province - Petty Cash	\$ 200
Accounts Payable - Smart Energy Choices (Schedule A)	3,903,426
Total Liabilities	\$ <u>3,903,626</u>

**Conserve Nova Scotia
Statement of Operations
Three Months Ended March 31, 2007**

	<u>2007</u>
Revenue	
Province of Nova Scotia	\$ <u>7,734,805</u>
Expenditures (Schedule B)	
Salaries and Benefits	151,882
Travel	23,720
Professional Services	24,150
General Office Expenses	7,199
Office Rentals	9,584
Furniture and Equipment	2,806
Other	4,891
Program Grants and Assistance	\$ <u>7,510,572</u>
Expenditures	\$ <u>7,734,805</u>
Excess of Revenue Over Expenditures	\$ <u><u>0</u></u>

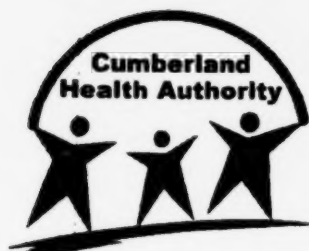
**Conserve Nova Scotia
Schedule A
Accounts Payable Summary
As at March 31, 2007**

Smart Energy Choices

<u>Item:</u>	<u>Amount</u>
Wood stove rebate	\$ 188,160
Oil furnace/boiler rebate	533,277
EnerGuide for New Homes - R2000	86,200
EnerGuide for New Homes - Other	97,500
Modest Income - Audit	112,500
EnerGuide for Existing Homes	494,040
NS EnerGuide for Existing Homes - Incentive	2,334,545
Compact Florescent Lights	45,584
Contract Holdbacks	5,920
Other	5,700
Total	\$ <u><u>3,903,426</u></u>

**Conserve Nova Scotia
Schedule B
Supplementary Details of Expenditures
Three Months Ended March 31, 2007**

	<u>2007</u>
<u>Salaries and Benefits</u>	
Salaries and Wages	\$ 132,531
Fringe Benefits	19,351
Total Salaries and Benefits	<u>\$ 151,882</u>
<u>Travel</u>	
In Province Travel	\$ 3,059
Out Province Travel	20,660
Total Travel	<u>\$ 23,720</u>
<u>Professional Services</u>	<u>\$ 24,150</u>
<u>General Office Expenses</u>	
Printing and Stationery	\$ 2,953
General Operating Supplies	2,205
Telecommunications	1,096
Taxi and Messenger	946
Total General Office Expenses	<u>\$ 7,199</u>
<u>Office Rentals</u>	<u>\$ 9,584</u>
<u>Furniture and Equipment</u>	
Equipment Leases	\$ 1,826
Equipment Purchases	365
Office Furniture	615
Total Furniture and Equipment	<u>\$ 2,806</u>
<u>Other</u>	
Staff Training	\$ 55
Meeting Expenses	1,757
Membership Dues and Fees	547
Subscriptions, Periodicals and Books	250
Miscellaneous Other	2,282
Total Other	<u>\$ 4,891</u>
<u>Program Grants and Assistance</u>	
Smart Energy Choices	\$ 7,510,572
Total Program Grants and Assistance	<u>\$ 7,510,572</u>



Healthy Communities for a Healthy Future

**Cumberland Health Authority
Financial Statements**
March 31, 2007

AUDITORS' REPORT

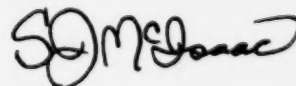
To the Board of Directors of Cumberland Health Authority

We have audited the balance sheet of Cumberland Health Authority as at March 31, 2007. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Amherst, Nova Scotia
June 6, 2007



CHARTERED ACCOUNTANTS

Cumberland Health Authority
Statement of Financial Position
March 31, 2007

	Operating Fund	Capital Fund	Special Funds	2007 Total	2006 Total
Assets					
Current					
Cash and cash equivalents	\$ 1,359,524	\$ -	\$ 34,062	\$ 1,393,586	\$ 605,689
Receivables (Note 4)	3,477,876	578,219	18,000	4,074,095	4,508,514
Due from Capital Fund	817,962	-	-	817,962	695,782
Due from Special Funds	-	-	-	-	27,637
Due from Operating Fund	-	-	34,422	34,422	36,462
Inventories	361,327	-	-	361,327	314,137
Prepays	276,171	-	-	276,171	179,757
	6,292,860	578,219	86,484	6,957,563	6,367,978
Other receivables (Note 5)	3,851,220	-	-	3,851,220	3,650,380
Deferred charges	-	-	-	-	53,926
Land, buildings and equipment (Note 6)	-	57,692,510	-	57,692,510	58,565,926
	\$ 10,144,080	\$ 58,270,729	\$ 86,484	\$ 68,501,293	\$ 68,638,210
Liabilities					
Current					
Payables and accruals (Note 7)	\$ 5,845,964	\$ 217,024	\$ -	\$ 6,062,988	\$ 6,259,111
Due to Capital Fund	-	-	-	-	27,637
Due to Special Funds	34,422	-	-	34,422	36,462
Due to Operating Fund	-	817,962	-	817,962	695,782
Deferred contributions (Note 10)	1,111,730	1,007,941	-	2,119,671	1,618,275
Current portion of advance from province (Note 11)	-	374,247	-	374,247	299,398
	6,992,116	2,417,174	-	9,409,290	8,936,665
Long term liabilities					
Employee future benefits (Note 8)	2,932,219	-	-	2,932,219	2,733,502
Advance from province (Note 11)	-	-	-	-	74,849
	9,924,335	2,417,174	-	12,341,509	11,745,016
Fund balances (Page 4)					
Restricted (Note 15)	-	-	86,484	86,484	83,748
Unrestricted	219,745	55,853,555	-	56,073,300	56,809,446
	219,745	55,853,555	86,484	56,159,784	56,893,194
	\$ 10,144,080	\$ 58,270,729	\$ 86,484	\$ 68,501,293	\$ 68,638,210

Commitments (Note 13)

On Behalf of the Board

Chairman

Chief Executive Officer

See accompanying notes to the financial statements

Cumberland Health Authority
Statement of Operations
 Year Ended March 31

	Operating Fund	Capital Fund	Special Funds	2007 Total	2006 Total
Revenues					
Nova Scotia Department of Health	\$ 42,738,148	\$ 1,325,652	-	\$ 44,063,800	\$ 41,720,604
Charges to M.S.I.	1,976,251	-	-	1,976,251	1,788,995
In-patients	633,337	-	-	633,337	442,967
Out-patients	1,832,192	-	-	1,832,192	1,633,332
Long-term care	1,455,860	-	-	1,455,860	1,297,985
Cafeteria income	153,084	-	-	153,084	151,100
Investment income	152,918	-	1,277	154,195	21,901
Mental Health joint projects	93,494	-	-	93,494	3,548
Other income	83,951	858,415	53,500	995,866	431,063
Decrease in vacation pay accrual	73,684	-	-	73,684	-
	<u>49,192,919</u>	<u>2,184,067</u>	<u>54,777</u>	<u>51,431,763</u>	<u>47,491,495</u>
Expenses					
In-patient services	15,258,502	-	-	15,258,502	14,752,884
Ambulatory services	8,851,910	-	-	8,851,910	7,843,666
Diagnostic and therapeutic services	7,072,027	-	-	7,072,027	6,518,768
Support services	13,407,211	-	52,041	13,459,252	13,594,117
Community services	3,843,082	-	-	3,843,082	3,178,796
Increase in vacation pay accrual	-	-	-	-	213,235
Amortization	-	3,057,484	-	3,057,484	2,953,205
Employee future benefits (Note 8)	622,917	-	-	622,917	127,442
	<u>49,055,649</u>	<u>3,057,484</u>	<u>52,041</u>	<u>52,165,174</u>	<u>49,182,113</u>
Excess of revenues over expenses (expenses over revenues) before additional funding	137,270	(873,417)	2,736	(733,411)	(1,690,618)
Funding for 2004/2005 operating deficit	-	-	-	-	1,068,325
Excess of revenues over expenses (expenses over revenues)	\$ <u>137,270</u>	\$ <u>(873,417)</u>	\$ <u>2,736</u>	\$ <u>(733,411)</u>	\$ <u>(622,293)</u>

See accompanying notes to the financial statements

Cumberland Health Authority

Statement of Changes in Fund Balances

Year Ended March 31

		Operating Fund	Capital Fund	Special Funds (Note 15)	2007 Total	2006 Total
Balance, beginning of period	\$	82,475	\$ 56,726,972	\$ 83,748	\$ 56,893,195	\$ 57,515,487
Excess of revenues over expenses (expenses over revenues)		<u>137,270</u>	<u>(873,417)</u>	<u>2,736</u>	<u>(733,411)</u>	<u>(622,293)</u>
Balance, end of period	\$	<u>219,745</u>	<u>\$ 55,853,555</u>	<u>\$ 86,484</u>	<u>\$ 56,159,784</u>	<u>\$ 56,893,194</u>

See accompanying notes to the financial statements

Cumberland Health Authority

Statement of Cash Flows

Year Ended March 31

	2007	2006
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses - Operating Fund	\$ 137,270	\$ 1,209,089
Excess of revenues over expenses - Special Funds	2,736	(2,064)
	<u>140,006</u>	<u>1,207,025</u>
Change in non-cash working capital		
Receivables	233,579	323,215
Inventories	(47,190)	(54,265)
Prepays	(96,414)	37,094
Deferred charges	53,926	92,446
Payables and accruals	2,594	1,594,136
Deferred revenue	501,396	(2,129,286)
	<u>787,897</u>	<u>1,070,365</u>
Financing and Investing		
Capital asset funding	2,184,067	1,123,887
Purchase of capital assets	(2,184,067)	(1,000,779)
Repayment of advance from province	-	(27,153)
	<u>-</u>	<u>95,955</u>
Decrease in restricted funds	-	-
	<u>-</u>	<u>95,955</u>
Net increase in cash and cash equivalents	787,897	1,166,320
Cash and cash equivalents, beginning of period	605,689	(560,631)
Cash and cash equivalents, end of period	\$ <u>1,393,586</u>	\$ <u>605,689</u>

See accompanying notes to the financial statements

Cumberland Health Authority

Notes to the Financial Statements

March 31, 2007

1. Nature of operations

Cumberland Health Authority operates several health care facilities including South Cumberland Community Care Centre, North Cumberland Memorial Hospital, Cumberland Regional Health Care Centre, All Saints Springhill Hospital, Bayview Memorial Hospital and related community services including Mental Health, Public Health and Addiction Services.

2. Health Authorities Act

Cumberland Health Authority was formed by the *Health Authorities Act* of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Cumberland Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and other health care services referred to above.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of buildings and equipment, allowance for bad debts, and accruals of certain liabilities. Actual results could differ from these estimates.

Fund accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the Authority's capital assets. Special Funds report the assets, liabilities, revenues and expenses related to special bursaries and funds as well as contributions to the Endowment Fund.

Revenue recognition

Cumberland Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as revenue in the capital fund in the period in which the asset is acquired.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Cumberland Health Authority Notes to the Financial Statements

March 31, 2007

3. Summary of significant accounting policies (continued)

Inventories

Inventories are recorded at the lower of cost or replacement value. Cost is determined by using a weighted average for supplies and specific identification for pharmaceuticals.

Deferred Charges

The cost of obtaining a maintenance contract for equipment is deferred and amortized on a straight-line basis over the four year life of the contract. Amortization of deferred charges expensed for the year ended March 31, 2007 amounted to \$53,926 (2006 - \$92,446).

Land, buildings and equipment

Assets purchased during the period were recorded in the Capital Fund at cost. Amortization is charged to the capital fund balance and is provided on a straight line basis at the following rates:

Buildings	2%
Land improvements	5%
Equipment	5-20%

Amortization on construction in progress is not recorded until the projects are completed.

Compensation accruals

Cumberland Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

Employee future benefits

Employee future benefits include retirement allowances paid to employees upon retirement, health and life insurance, as well as pension funds. Retirement allowances paid to employees upon retirement is actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance, calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB Handbook. Experience gains and losses and assumption charges are amortized on a linear basis over the expected average remaining service life. The main components of this accounting policy are as follows:

- Costs for employee future benefits other than pensions are accrued over the periods in which the employees render services in return for these benefits.
- A liability for future benefits of \$2,932,219 (2006 - \$2,733,502) (Note 8) has been included in the financial statements in the current year. The Province of Nova Scotia has assumed the liability so an offset of the same amount has been recorded as a receivable from the Department of Finance. The current year's net expense incurred for future employee benefits is \$622,917 (2006 - \$127,442) (Note 8).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and various funds held in trust.

Cumberland Health Authority

Notes to the Financial Statements

March 31, 2007

3. Summary of significant accounting policies (continued)

Financial Instruments

The Health Authority's financial instruments consist of cash and cash equivalents, receivables, payables and accruals and advance from province. Unless otherwise noted, it is management's opinion that the Health Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying value of these financial instruments approximates their fair value unless otherwise noted.

4. Receivables	Operating Fund	Capital Fund	Special Funds	2007 Total	2006 Total
Charges to M.S.I.	\$ 102,255	\$ -	\$ -	\$ 102,255	\$ 24,947
Foundations and Auxiliaries	27,132	492,024	18,000	537,156	69,913
Harmonized sales tax	299,651	27,536	-	327,187	282,044
Patients	1,376,483	-	-	1,376,483	1,097,514
Other	190,035	-	-	190,035	25,948
	1,995,556	519,560	18,000	2,533,116	1,500,366
Nova Scotia Department of Health					
Construction and equipment	-	58,659	-	58,659	577,224
Final settlement and other	1,482,320	-	-	1,482,320	2,430,924
	1,482,320	58,659	-	1,540,979	3,008,148
	\$ 3,477,876	\$ 578,219	\$ 18,000	\$ 4,074,095	\$ 4,508,514

The resolution of final settlement estimates is dependent upon approval of the Department of Health. An adjustment, if any, on the resolution of these amounts will be accounted for as revenue of the appropriate fund when received or receivable.

5. Other receivables	Operating Fund	Capital Fund	Special Funds	2007 Total	2006 Total
Nova Scotia Department of Health					
Vacation pay	\$ 819,314	-	-	\$ 819,314	\$ 819,314
Employee future benefit (Notes 3 and 8)	3,031,906	-	-	3,031,906	2,831,066
Other	-	-	-	-	-
	\$ 3,851,220	-	-	\$ 3,851,220	\$ 3,650,380

Cumberland Health Authority

Notes to the Financial Statements

March 31, 2007

6. Land, buildings and equipment

			<u>2007</u>	<u>2006</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 353,785	\$ -	\$ 353,785	\$ 353,785
Land improvements	1,334,102	353,823	980,279	1,036,416
Buildings	59,986,157	8,345,471	51,640,686	51,717,933
Equipment	12,613,557	8,190,503	4,423,054	4,750,988
Construction in progress	294,706	-	294,706	706,804
	<u>\$ 74,582,307</u>	<u>\$ 16,889,797</u>	<u>\$ 57,692,510</u>	<u>\$ 58,565,926</u>

7. Payables and accruals	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>2007 Total</u>	<u>2006 Total</u>
Trade	\$ 3,920,906	\$ 217,024	\$ 4,137,930	\$ 3,203,147
Department of Health	-	-	-	1,057,222
Vacation pay	1,925,058	-	1,925,058	1,998,742
	<u>\$ 5,845,964</u>	<u>\$ 217,024</u>	<u>\$ 6,062,988</u>	<u>\$ 6,259,111</u>

8. Employee future benefits

The Cumberland Health Authority has provided for retirement obligations as follows:

<u>Accrued benefit liability</u>	<u>Allowance</u>	<u>Benefits</u>	<u>2007</u>	<u>2006</u>
Beginning balance, retiring obligations	\$ 2,733,502	\$ -	\$ 2,733,502	\$ 2,824,660
Current service cost for the year	221,800	15,700	237,300	193,400
Plan amendment	-	270,900	270,900	(174,280)
Amortization of experience gain	(25,583)	-	(25,583)	(29,178)
Interest cost during the year	124,400	15,900	140,300	137,500
Estimated fiscal payments for employees	(423,500)	(700)	(424,200)	(218,600)
Ending balance, retiring obligations	<u>\$ 2,630,419</u>	<u>\$ 301,800</u>	<u>\$ 2,932,219</u>	<u>\$ 2,733,502</u>

Cumberland Health Authority

Notes to the Financial Statements

March 31, 2007

8. Employee future benefits (continued)

During the period, retiring allowances actually paid amount to \$284,855 (2006 - \$97,564). Retiring allowances are funded by the Department of Health. Funding is netted against the expense in the applicable departments.

Employee future benefits expense

	<u>Allowance</u>	<u>Benefits</u>	<u>2007</u>	<u>2006</u>
Past service costs	\$ -	\$ 270,900	\$ 270,900	\$ -
Current service costs	221,600	15,700	237,300	193,400
Interest on accrued benefits	124,400	15,900	140,300	137,500
Plan amendment	-	-	-	(174,280)
Amortization of experience gain	(25,583)	-	(25,583)	(29,178)
	<u>\$ 320,417</u>	<u>\$ 302,500</u>	<u>\$ 622,917</u>	<u>\$ 127,442</u>

The significant actuarial assumptions adopted in measuring the company's employee future benefits are as follows (weighted-average assumptions):

	<u>2007</u>	<u>2006</u>
Discount rate	5.70%	5.95%
Average age of employees	44.5	44.5
Expected average remaining service life	10.0	12.0
Average years of service	11.2	10.3
Rate of compensation increase	2.65%	2.75%

9. Pension funds

The Cumberland Health Authority participates in a multi-employer defined benefit plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2005 and showed a funding excess for the entire plan of over \$44 million. The Cumberland Health Authority is not responsible for any unfunded liability of this plan.

As a result of union negotiations, certain retirement health benefits are now cost shared between the employees and District Health Authorities which generates a retirement obligation. An actuarial valuation was conducted as at April 1, 2006 and projected to March 31, 2007.

The Authority's pension expense for the year amounted to \$1,665,150 (2006 - \$1,400,602).

Cumberland Health Authority

Notes to the Financial Statements

March 31, 2007

10. Deferred contributions

Deferred contributions represents externally restricted operating and capital funding received for specific purposes.

	Operating <u>Fund</u>	Capital <u>Fund</u>	2007 <u>Total</u>	2006 <u>Total</u>
Deferred contributions, beginning of year	\$ 1,222,097	\$ 396,178	\$ 1,618,275	\$ 3,747,561
Funding received in the year	2,666,227	1,439,473	4,105,700	3,731,286
Less amount spent in the year	(2,776,594)	(827,710)	(3,604,304)	(4,848,139)
Less transferred to payables	-	-	-	(1,012,433)
Deferred contributions, end of year	\$ 1,111,730	\$ 1,007,941	\$ 2,119,671	\$ 1,618,275

11. Advance from province

The 2003 advance of \$374,247 from the Province of Nova Scotia is non-interest bearing and was repayable in five equal annual instalments commencing in 2004. Instalments have not been paid, therefore the full amount is current as of March 31, 2007.

12. Credit facilities

The Authority has a financing arrangement with a financial institution, which provides an available unsecured operating line of credit totalling \$1,000,000, bearing interest at the prime rate, which is unused at March 31, 2007.

13. Commitments

Cumberland Health Authority is committed to the following estimated operating and occupancy lease payments in each of the next five fiscal years ended March 31:

2008	\$	854,000
2009		618,000
2010		308,000
2011		291,000
2012		225,000

Cumberland Health Authority

Notes to the Financial Statements

March 31, 2007

14. Related entities

The Health Authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The Health Authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations will accrue to the benefit of the Authority. The amount and nature of these assets at March 31, 2007 are available from the individual financial statements of the related entities.

15. Special Funds

	Endowment Bayview Fund	Externally Restricted NCMH Fund	Bursary Fund	Total
Balance, beginning of year	\$ 3,000	\$ 29,785	\$ 50,963	\$ 83,748
Contributions	-	-	53,500	53,500
Investment income	-	1,276	-	1,276
Bursaries and expenditures	-	-	(52,040)	(52,040)
	<u>\$ 3,000</u>	<u>\$ 31,061</u>	<u>\$ 52,423</u>	<u>\$ 86,484</u>

16. Contingency

The Health Authority has been named defendant in a legal action alleging breach of contract with a doctor. As of the audit report date, legal counsel to the Authority is unable to assess the Authority's potential liability, if any, resulting from this action. Any settlement will be reflected as a charge to income in the year incurred. No provision for possible loss has been included in these financial statements.

17. Comparative Figures

Certain of the comparative figures for 2006 have been restated to conform to current year's presentation.

Financial Statements of

**GUYSBOROUGH ANTIGONISH
STRAIT HEALTH AUTHORITY**

Year ended March 31, 2007



KPMG LLP
Chartered Accountants
Commerce Tower
15 Dorchester Street Suite 500
PO Box 1
Sydney NS B1P 6G9
Canada

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Internet www.kpmg.ca

AUDITORS' REPORT

To the Chairperson and Members of the Board of
Guysborough Antigonish Strait Health Authority

We have audited the statement of financial position of Guysborough Antigonish Strait Health Authority as at March 31, 2007 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Sydney, Canada

May 25, 2007

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	Operating Fund	Capital Fund	Restricted Fund	2007 Total	2006 Total
Assets					
Current assets:					
Cash and marketable securities	\$ 394,873	\$ —	\$ 219,413	\$ 614,286	\$ 1,737,266
Accounts receivable (note 2)	7,258,581	3,940,244	—	11,198,825	6,898,931
Inventories (note 3)	658,153	—	—	658,153	572,520
Prepaid expenses	341,345	—	—	341,345	337,728
	8,652,952	3,940,244	219,413	12,812,609	9,546,445
Capital assets (note 4)	—	35,293,179	—	35,293,179	28,414,886
Other receivables (note 6):					
Employee future benefits	5,587,620	—	—	5,587,620	5,326,585
Retirement health benefits	511,300	—	—	511,300	—
	\$14,751,872	\$ 39,233,423	\$ 219,413	\$ 54,204,708	\$ 43,287,916

Liabilities, Deferred Contributions and Net Assets

Current liabilities:					
Accounts payable and accrued liabilities (note 5)	\$ 7,016,005	\$ 3,709,927	\$ —	\$ 10,725,932	\$ 6,611,238
Deferred revenue	1,636,524	—	—	1,636,524	1,056,834
Current portion of capital lease payable	—	103,589	—	103,589	95,650
	8,652,529	3,813,516	—	12,466,045	7,763,722
Other liabilities (note 6):					
Employee future benefits	5,587,620	—	—	5,587,620	5,326,585
Retirement health benefits	511,300	—	—	511,300	—
Capital lease payable (note 7)	—	151,615	—	151,615	255,204
Deferred contributions related to capital assets (note 8)	—	34,686,440	—	34,686,440	29,148,216
Fund balances:					
Operating	423	—	—	423	249
Investment in capital assets (note 9)	—	581,852	—	581,852	581,852
Internally restricted	—	—	219,413	219,413	212,088
	423	581,852	219,413	801,688	794,189
Contingencies (note 12)					
	\$14,751,872	\$ 39,233,423	\$ 219,413	\$ 54,204,708	\$ 43,287,916

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

	Operating Fund	Capital Fund	Restricted Fund	2007 Total	2006 Total
Revenue:					
Department of Health and Community Services	\$ 52,557,712	\$ 60,000	\$ -	\$ 52,617,712	\$ 49,415,102
Department of Health:					
Contract settlements	576,842	-	-	576,842	425,593
Employee future benefit	449,935	-	-	449,935	(75,525)
Retirement health benefits	511,300	-	-	511,300	-
Capital funding	-	7,399,115	-	7,399,115	1,454,284
N.S. Medical Services					
Insurances (MSI)	3,503,965	-	-	3,503,965	2,961,473
Patient income	1,973,598	-	-	1,973,598	1,736,299
Dietary recoveries	569,768	-	-	569,768	543,426
Foundations and auxiliaries	34,778	1,603,181	-	1,637,959	161,889
Rentals	44,837	-	-	44,837	36,289
Miscellaneous	206,863	8,333	-	215,196	171,085
Referred in revenue	305,066	-	-	305,066	437,609
Drug program rebates	43,725	-	-	43,725	77,189
Wage grants/recoveries	281,802	-	-	281,802	245,455
Investment income	99,152	-	7,325	106,477	52,538
Grant-Francophone Youth Health Centre	-	-	-	-	89,051
Amortization of deferred contributions (note 9)	-	2,072,336	-	2,072,336	1,779,483
Laundry recoveries	228,220	-	-	228,220	221,332
	61,387,563	11,142,965	7,325	72,537,853	59,732,572
Expenditures:					
Nursing services	22,406,407	-	-	22,406,407	21,109,231
Support services	11,816,577	-	-	11,816,577	10,309,577
Diagnostic and therapeutic	9,206,740	-	-	9,206,740	8,426,684
Administrative services	4,463,246	-	-	4,463,246	4,545,899
Medical services	1,961,232	-	-	1,961,232	1,699,171
Non-portable programs	8,820,980	-	-	8,820,980	7,765,759
Physician services	1,750,972	-	-	1,750,972	1,683,482
Employee future benefits	449,935	-	-	449,935	(75,525)
Retirement health benefits	511,300	-	-	511,300	-
Francophone Youth Health Centre	-	-	-	-	104,051
Amortization of capital assets (note 9)	-	2,132,336	-	2,132,336	1,839,483
Capital expenditures	-	9,010,629	-	9,010,629	1,642,074
	61,387,389	11,142,965	-	72,530,354	59,049,886
Excess of revenue over expenditures, for the year					
	\$ 174	\$ -	\$ 7,325	\$ 7,499	\$ 682,686

See accompanying notes to financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	Operating	Investment in capital assets	Internally restricted	2007 Total	2006 Total
Balance, beginning of year	\$ 249	\$ 581,852	\$ 212,088	\$ 794,189	\$ 111,503
Excess of revenue over expenditures	174	—	7,325	7,499	682,686
Balance, end of year	\$ 423	\$ 581,852	\$ 219,413	\$ 801,688	\$ 794,189

See accompanying notes to financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used for):		
Operations:		
Excess of revenue over expenditures	\$ 7,499	\$ 682,686
Items not involving cash:		
Amortization of capital assets	2,132,336	1,839,483
Amortization of deferred contributions related to capital assets	(2,072,336)	(1,779,483)
Changes in non-cash operating working capital:		
Increase in accounts receivable	(4,299,894)	(721,576)
(Increase) decrease in inventories	(85,633)	13,673
Increase in prepaid expenses	(3,617)	(42,024)
Increase in accounts payable and accrued liabilities	4,114,694	709,295
Increase (decrease) in deferred revenues	579,690	(1,555,995)
	372,739	(853,941)
Financing and investing activities:		
Additions to capital assets	(9,010,629)	(1,642,074)
Additions to deferred contributions related to capital assets	7,610,560	3,258,254
Capital lease repayments	(95,650)	(88,320)
	(1,495,719)	1,527,860
Increase (decrease) in cash	(1,122,980)	673,919
Cash, beginning of year	1,737,266	1,063,347
Cash, end of year	\$ 614,286	\$ 1,737,266
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	\$ 24,612	\$ 31,941
Interest received	95,716	42,822

See accompanying notes to financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

The Health Authority's principal activity is to operate and manage designated hospitals and other health related activities within the Eastern Region of Nova Scotia.

1. Significant accounting policies:

a) Revenue recognition:

The Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis, at a rate corresponding with the depreciation rate for the related capital asset.

Investment income (restricted and unrestricted) is recognized as revenue when earned.

b) Marketable securities:

Marketable securities are valued at the lower of cost and market value.

c) Inventories:

Inventories are valued at the lower of cost and replacement cost.

d) Restricted:

Funds donated from outside agencies or individuals which have been designated for a specific purpose have been restricted.

e) Capital assets:

Capital assets are stated at cost.

Capital assets are amortized on the straight-line basis using the following annual rates:

Asset	Rates
Building, paving and land improvements	2.5%, 4%, 8%
Major equipment	5%, 6.67%, 10%, 20%

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

1. Significant accounting policies (continued):

(f) Employee future benefits/Due from Department of Finance:

Employee future benefits include Retirement Allowances/Public Service Awards paid to employees upon retirement. Per Union Collective agreements employees are entitled to a payment of one week's salary, to certain maximums, for every year of full-time service that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an Actuarial Valuation for all government departments, government agencies and boards.

A liability for employee future benefits of \$5,587,620 has been included in the financial statements in the current year. The Province of Nova Scotia funds this liability so a receivable for the same amount has been recorded from the Department of Finance. The current year's expense incurred for employee future benefits is \$961,235.

2. Accounts receivable:

	2007	2006
Patient services	\$ 329,513	\$ 342,972
Department of Health:		
Vacation liability	886,002	1,331,500
Nursing strategy	111,000	120,780
Special maintenance	657,565	175,598
Contract settlement	564,845	339,519
Hospital in the home	206,455	187,680
On Call Physician Program	134,055	121,486
Anesthesia	143,043	236,396
Pathology	122,534	80,066
Year end pressures	55,114	289,738
Other	43,195	76,863
Oncology drugs	59,920	-
O.S.S. Funding	148,565	-
Hospital Information System project	-	1,291,243
Nova Scotia Medical Insurance Services (M.S.I.)	139,429	68,322
Harmonized sales tax	763,171	225,819
Sundry	113,022	147,898
Cape Breton District Health Authority	65,837	38,062
Due from capital fund	2,715,316	-
Capital fund:	7,258,581	5,073,942
Department of Health - Capital items	2,395,749	1,180,853
Due from operating fund	-	625,947
Hospital foundations/auxiliaries - capital (note 11)	1,544,495	18,189
	3,940,244	1,824,989
	\$ 11,198,825	\$ 6,898,931

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

3. Inventories:

	2007	2006
Drugs	\$ 263,925	\$ 227,971
Medical and surgical	146,819	113,346
Intravenous	6,425	3,873
Maintenance	29,408	26,974
Food	17,500	10,500
General	194,076	189,856
	\$ 658,153	\$ 572,520

4. Capital assets:

	2007			2006	
	Cost	Accumulated amortization	Net book value		Net book value
Land	\$ 581,852	\$ -	\$ 581,852	\$ 581,852	
Buildings and paving	48,122,790	20,864,461	27,258,329	22,452,974	
Equipment	26,980,392	19,527,394	7,452,998	5,380,060	
	\$ 75,685,034	\$ 40,391,855	\$ 35,293,179	\$ 28,414,886	

5. Accounts payable and accrued liabilities:

	2007	2006
Accounts payable and accrued liabilities	\$ 4,615,440	\$ 3,945,033
Accrued payroll:		
Salaries	1,911,332	621,247
Vacation pay	489,233	895,693
Contract settlement	-	364,365
Due to capital fund	-	625,947
Capital fund:	7,016,005	6,452,285
Accounts payable and accrued liabilities	994,611	158,953
Due to operating fund	2,715,316	-
	3,709,927	158,953
	\$ 10,725,932	\$ 6,611,238

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

6. Other receivables/liabilities:

a) Employee future benefits:

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB handbook. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting Accounts Receivable is recorded on the books for the same amount.

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Guysborough Antigonish Strait Health Authority upon retirement. The most recent actuarial valuation was for the year ended December 31, 2005. Actuarial liabilities as at March 31, 2007 were extrapolated from the results of the December 31, 2005 actuarial valuation.

Guysborough Antigonish Strait Health Authority has provided for retirement allowances as follows:

	2007	2006
Accrued benefit liability		
Balance, beginning of year	\$ 5,326,585	\$ 5,724,910
Current service cost for the year	256,400	260,300
Interest cost during the year	254,700	262,400
Plan amendment	-	223,734
Amortization of experience gain	(61,165)	(74,024)
Estimated fiscal payments for employees	(188,900)	(322,800)
Plan adjustments	-	(747,935)
Balance, end of year	\$ 5,587,620	\$ 5,326,585
Reconciliation to funding status		
Funding status - plan surplus	\$ 4,490,534	\$ 4,641,434
Unamortized net actuarial gain	1,097,086	685,151
	\$ 5,587,620	\$ 5,326,585
Employee future benefits expense		
Current service costs	\$ 256,400	\$ 260,300
Interest on accrued benefits	254,700	262,400
Plan amendment	-	223,734
Amortization of experience gain	(61,165)	(74,024)
Plan adjustments	-	(747,935)
	\$ 449,935	\$ (75,525)

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

6. Other receivables/liabilities (continued):

a) Employee future benefits:

The significant actuarial assumptions adopted in measuring the Authority's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2007:

	Retirement allowance
Discount rate	5.70%
Retirement % at age 65	50.00%
Average age of employees	45.70
Average age of services	12.00
Future mortality rate	No pre-retirement mortality assumed
Rate of compensation increase	2.65% - 3.65%

All accumulated liabilities from the retiring allowance program of the Guysborough Antigonish Strait Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2007.

b) Retirement health benefits:

Retirement Health Benefits paid to employees upon retirement are actuarially determined. The Retirement Health Benefit value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method pro-rated on service as required under Section 3250 of the PSAB handbook. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable is recorded on the books for the same amount.

The Department of Finance engaged a consultant to conduct an actuarial valuation of the post-retirement health subsidy negotiated between CUPE and CAW and the District Health Authorities. The results are based on an actuarial valuation for accounting purposes conducted as at April 1, 2006. Actuarial liabilities as at March 31, 2007 were extrapolated from the results of the actuarial valuation.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

6. Employee future benefits (continued):

b) Retirement health benefits:

Guysborough Antigonish Strait Health Authority has provided for Retirement Health Benefits as follows:

	2007	2006
Accrued benefit liability		
Balance, beginning of year	\$ -	\$ -
Current service cost for the year	24,500	-
Interest cost during the year	26,900	-
Plan amendment	459,900	-
Balance, end of year	\$ 511,300	\$ -
Reconciliation to funding status		
Funding status - plan deficit	\$ (511,300)	\$ -
Employee future benefits expense		
Current service cost	\$ 24,500	\$ -
Interest on accrued benefits	26,900	-
Plan amendment	459,900	-
	\$ 511,300	\$ -

The significant actuarial assumptions adopted in measuring the Authority's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2007:

	Retirement Health Benefits
Discount rate	5.70%
Number of employees CAW and CUPE	213.00
Retirement % at age 65	80.00%
Average age of employees	46.70
Average service	14.20
Future mortality rate	UP94 projected to 2015

All accumulated liabilities from the post-retirement Health Subsidy for CUPE and CAW of the of the Guysborough Antigonish Strait Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2007.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

7. Capital leases payable:

	2007	2006
8.00% 7 year capital leases on several pieces of equipment. Repayable in monthly amounts based on minimum annual commitments totaling \$386,352 which includes cost of supplies, interest, maintenance and equipment cost	\$ 255,204	\$ 350,854
Amount repayable within one year	103,589	95,650
	<u>\$ 151,615</u>	<u>\$ 255,204</u>

Annual repayments required over the next three years are as follows: 2008 - \$103,589; 2009 - \$112,187 and 2010 - \$39,428.

8. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the year are as follows:

	2007	2006
Balance, beginning of year	\$ 29,148,216	\$ 27,669,445
Additional contributions received	7,610,560	3,258,254
Amounts amortized to revenue	(2,072,336)	(1,779,483)
Balance, end of year	<u>\$ 34,686,440</u>	<u>\$ 29,148,216</u>

The balance of unamortized capital contributions related to capital assets consists of the following:

	2007	2006
Unamortized capital contributions used to purchase assets	\$ 34,351,327	\$ 27,413,034
Unspent contributions	335,113	1,735,182
	<u>\$ 34,686,440</u>	<u>\$ 29,148,216</u>

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

9. Investment in capital assets:

a) Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	\$ 35,293,179	\$ 28,414,886
Amounts financed by:		
Deferred contributions - spent	34,351,327	27,413,034
Capital lease additions	600,000	600,000
Amortization of capital lease assets	(240,000)	(180,000)
	34,711,327	27,833,034
	\$ 581,852	\$ 581,852

b) Changes in net assets invested in capital assets are calculated as follows:

	2007	2006
Excess of revenue over expenditures:		
Amortization of deferred contributions related to capital assets	\$ 2,072,336	\$ 1,779,483
Department of Health	60,000	60,000
Amortization of capital assets	(2,132,336)	(1,839,483)
	\$ -	\$ -
Net change in investment in capital assets:		
Capital assets acquired	\$ 9,010,629	\$ 1,642,074
Amounts funded by deferred contributions	(9,010,629)	(1,642,074)
	\$ -	\$ -

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

10. Accounts with the Department of Health:

The Health Authority has the following accounts with the Department of Health:

	2007	2006
Accounts receivable:		
Employee future benefits	\$ 5,587,620	\$ 5,326,585
Retirement health benefit	511,300	-
Vacation liability	886,002	1,331,500
Nursing strategy	111,000	120,780
Capital items	2,395,749	1,180,853
Special maintenance	657,565	175,598
Contract settlement	564,845	339,519
Hospital in the home	206,455	187,680
On Call Physician Program	134,055	121,486
Pathology	122,534	80,066
Other	- 43,195	76,863
Year end pressures	55,114	289,738
Anesthesia	143,043	236,396
Oncology drugs	59,920	-
O.S.S. funding	148,565	-
Hospital Information System project	-	1,291,243
	\$ 11,626,962	\$ 10,758,307

Collectability of the estimated receivable is dependent on obtaining approval for certain expenditures.

The adjustment, if any, on the ultimate settlement of the above amounts will be accounted for as a charge to or credit against income in the period in which settlement occurs.

11. Related parties:

The Health Authority is related to St. Martha's Regional Hospital Foundation, Guysborough Memorial Hospital Foundation, Strait Richmond Hospital Charitable Foundation and St. Mary's Memorial Hospital Society. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

11. Related parties (continued):

The following amounts were due from the Foundations/Auxiliaries as at March 31:

	2007	2006
Capital fund:		
Due from Hospital Foundations:		
St. Martha's Regional Hospital Foundation	\$ 1,426,619	\$ -
St. Martha's Regional Hospital Auxiliary	117,876	-
Guysborough Memorial Hospital Foundation	-	13,587
St. Mary's Memorial Hospital Foundation	-	4,602
	<u>\$ 1,544,495</u>	<u>\$ 18,189</u>

During the year ended March 31, 2007, the following amounts were received/receivable from the Foundations/Auxiliaries to purchase capital:

	2007	2006
St. Martha's Regional Hospital Auxiliary	\$ 136,304	\$ 41,301
St. Mary's Memorial Hospital Foundation	35,718	4,602
Strait Richmond Hospital Foundation	4,540	55,418
Guysborough Memorial Hospital Foundation	-	13,587
St. Martha's Regional Hospital Foundation	1,426,619	-
	<u>\$ 1,603,181</u>	<u>\$ 114,908</u>

12. Contingencies:

The Health Authority has referred two incidents to their lawyers but no originating notice of action has been received.

The outcome of these matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligations arising from any possible lawsuits.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

13. Fair value of financial assets and liabilities:

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments.

The carrying value of capital lease payable approximate its fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for a similar item.

14. Comparative figures:

Certain of the 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2007.

Halifax-Dartmouth Bridge Commission

Financial Statements

December 31, 2006

Management Report

For the Year Ended December 31, 2006

The financial statements and all the information in this Annual Report are the responsibility of management and have been approved by the Commission.

Management prepares the financial statements and is responsible for the integrity and objectivity of this information. The statements have been prepared using Canadian generally accepted accounting principles and methods appropriate to the Commission including where applicable, amounts based on management's best estimates. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Commission maintains a system of internal controls designed to provide reasonable assurance that transactions are recorded and executed in accordance with its authorization practice, that assets are properly safeguarded, and that reliable financial records are maintained. This system includes written policies and procedures and an organizational structure that segregates duties.

The Commission is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Commission carries out this responsibility, principally through its Audit Committee.

The Audit Committee meets periodically with management and the external auditors to discuss audit and financial matters. In addition, the Committee reviews the unaudited quarterly and audited annual financial statements of the Commission and submits its report and the financial statements to the Commission for approval.

Levy Casey Carter MacLean, Chartered Accountants, the Commission's external auditors are engaged to provide an independent audit of the annual financial statements in accordance with Canadian generally accepted auditing standards. Levy Casey Carter MacLean have full and free access to the Audit Committee.

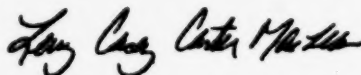
Auditor's Report

To the Chairman and Commissioners of the Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of Halifax-Dartmouth Bridge Commission as at December 31, 2006 and 2005 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Levy Casey Carter MacLean
Chartered Accountants
Halifax, Nova Scotia
February 15, 2007



Steven Snider
General Manager & CEO



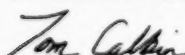
Ken Munro
Treasurer

Balance Sheet

Dollars in thousands for years ended December 31

	2006	2005
Assets		
Current:		
Cash (note 1(e))	\$ 7,477	\$ 8,352
Receivables		
Trade	78	180
Accrued receivables	39	32
Recoverable HST (note 2)	184	115
Prepaid expenses	439	276
	8,217	8,955
Restricted assets (note 4)		
OM Fund	2,659	-
Debt Service Fund	2,808	-
Sinking Fund	16,639	-
Capital Fund	25,172	-
	47,278	-
	55,495	8,955
Deferred financing costs and discounts, net of accumulated amortization of \$7,694 (2005, \$6,899) (note 1(d))	729	1,524
Deferred transponder charges, net of accumulated amortization of \$361 (2005, \$335) (note 9)	296	323
Property, plant and equipment (note 3)	64,559	66,784
Restricted assets (note 4)		
OM Fund	-	2,114
Debt Service Fund	-	2,811
Sinking Fund	-	13,960
Capital Fund	-	21,130
	-	40,015
	\$ 121,079	\$ 117,601
Liabilities		
Current:		
Payables and accruals, trade	\$ 1,022	\$ 694
Project holdbacks payable	360	298
Accrued payables	449	474
Refundable customer transponder amounts (note 9)	2,304	2,046
Deferred revenue (note 1(b) and note 5)	3,033	2,911
Toll Revenue Bonds Series 1	94,379	-
Line of credit	12,000	-
	113,547	6,423
Unearned revenue	55	-
Supplementary employee retirement plan liability (note 13)	572	546
Long term debt (note 6)		
Toll Revenue Bonds Series 1	-	94,379
Line of credit	-	17,000
	114,174	118,348
Surplus/Deficit		
Reserve for restricted assets (note 4)	47,279	40,016
Deficit	(40,374)	(40,763)
	6,905	(747)
	\$ 121,079	\$ 117,601
Contingencies (note 15)		

On Behalf of the Commission


Tom Calkin
Chair


Wayne Mason
Vice Chair

Statement of Income and Deficit

Dollars in thousands for years ended December 31

	2006	2005
Revenue:		
Toll revenue (note 1(b))	\$ 23,382	\$ 23,059
Other rate revenue	144	102
Investment and sundry income		
Restricted funds investment income	1,918	1,572
Other	433	327
Total Revenue	25,877	25,060
Expenses:		
Operating expenses	4,350	4,446
Maintenance expenses	3,029	3,958
Amortization of property, plant and equipment	3,793	4,256
Amortization of deferred transponder charges	27	65
Interest on long-term debt and amortization of deferred financing costs (note 7)	7,026	6,959
Loss (gain) on disposal of property, plant and equipment	-	(7)
Total Expenses	18,225	19,677
Net Income	7,652	5,383
Deficit, beginning of year	(40,763)	(39,603)
Appropriation to Restricted Asset Reserve (note 4)	(7,263)	(6,543)
Deficit, end of year	\$ (40,374)	\$ (40,763)

Statement of Cash Flows

Dollars in thousands for years ended December 31

	2006	2005
Operating Activities:		
Net income	\$ 7,652	\$ 5,383
Amortization of property, plant and equipment	3,793	4,256
Amortization of deferred finance costs	795	795
Amortization of deferred transponder charges	27	65
Net gain/loss on disposal of capital assets	-	(7)
Unearned revenue	55	-
	12,322	10,492
Net change in non-cash operating balances (note 8)	607	124
	12,929	10,616
Investing Activities:		
Purchase of property, plant and equipment	(1,568)	(1,119)
Proceeds from disposal of property, plant and equipment	-	7
Investment in Capital Fund	(4,042)	(3,872)
Investment in Sinking Fund	(2,679)	(2,570)
Investment in OM Fund	(544)	(97)
Investment in Debt Service Fund	3	(4)
Increase in Supplementary Employee Retirement Plan liability	26	546
	(8,804)	(7,109)
Financing Activities:		
Repayment on line of credit	(5,000)	(2,000)
	(5,000)	(2,000)
Increase (decrease) in cash during year	(875)	1,507
Cash, beginning of year	8,352	6,845
Cash, end of year	\$ 7,477	\$ 8,352

Notes to the Financial Statements

December 31, 2006

1. Significant Accounting Policies *Dollars in thousands*

a) *Basis of financial statement presentation*

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use Canadian generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) *Revenue recognition*

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) *Amortization of property, plant and equipment*

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, some bridge components, and transponders which are being depreciated using the straight line (s.l.) method, at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) *Amortization of financing costs*

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

e) *Cash and cash equivalents*

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

f) *Investments*

Investment in Capital Fund and Sinking Fund are recorded at cost. Interest earned is accrued annually and added to the carrying value of the asset. Premiums paid on the purchase of the investments are added to the cost of the asset and amortized to investment income over the life of the related investment.

g) *Use of estimates*

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

h) *Other retirement benefit plans (note 13)*

The actuarial determination of the accrued benefit obligations for other retirement benefits uses the accumulated benefit method, which is applicable when future salary levels do not affect the amount of employee future benefits.

2. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Property, plant and equipment *Please see page 31*

4. Restricted Assets *Dollars in thousands*

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain four reserve funds, which will be funded from revenues of the Commission, after payment of current operating and maintenance expenses. With the exception of the Capital Fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

The Operating and Maintenance (OM) Fund has maintained as required an amount at least equal to 25% of the annual budgeted OM expenses for the year. This fund can only be used to pay OM expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2006 the OM Fund had a market value of \$2,659 and was invested in cash and Government of Canada Treasury Bills maturing in June 2007 with a yield of 4.170%.

The Debt Service fund has maintained as required an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2006

the Debt Service Fund had a market value of \$2,808 and was invested in cash and Government of Canada Treasury Bills maturing in June 2007 with a yield of 4.170%.

The Commission has made as required quarterly contributions of \$500 to the Sinking Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds. At December 31, 2006 the Sinking Fund had a market value of \$16,335 and was invested in various federal and provincial bonds maturing in 2007 with rates of 3.03% to 6.68%.

The Commission has made as required quarterly contributions of \$750 to the Capital Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds, or for the maintenance of, or improvements to, the bridges. At December 31, 2006 the Capital Fund had a market value of \$24,644 and was invested in various federal, provincial and corporate bonds maturing in 2007 with rates of 5.20% to 7.92%.

5. Deferred Revenue

Dollars in thousands for years ended December 31

	2006	2005
Unredeemed Tokens	\$ 1,467	\$ 1,483
Electronic Toll Collection (ETC) Accounts	1,566	1,428
	<u>\$ 3,033</u>	<u>\$ 2,911</u>

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Short (Long - 2005) Term Debt

Dollars in thousands for years ended December 31

	2006	2005
5.95% Toll Revenue Bonds Series 1 (see below)	\$ 94,379	\$ 94,379
90 day B.A. rate + 3/10 of 1%		
Line of Credit (see below)	12,000	17,000
	<u>\$ 106,379</u>	<u>\$ 111,379</u>

5.95% Toll Revenue Bonds Series 1, maturing December 4, 2007, with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission; subject to the prior payment of operating and maintenance expenses, and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4).

90 day B.A. rate + 3/10 of 1% Province of Nova Scotia Line of Credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of \$30,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OM expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into the OM Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission.

On May 29, 2006, the Line of Credit was reduced by \$5,000 from \$17,000 to \$12,000.

The estimated fair market value of the \$94,379 fixed rate short term debt, based on the quoted market price for the same issue at December 31, 2006 is \$95,776.

The above debt is maturing on December 4, 2007 and has therefore been classified as a current liability.

Payments required to the Sinking Fund and Capital Fund (see note 4) over the next year are as follows:

2007	\$ 3,750
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7. Interest on short (long) term debt and amortization of deferred financing costs

Dollars in thousands for years ended December 31

	2006	2005
Interest on short (long) term debt		
Toll Revenue Bonds	\$ 5,615	\$ 5,615
Line of Credit	616	549
Amortization of deferred financing costs and discounts	795	795
	<u>\$ 7,026</u>	<u>\$ 6,959</u>

8. Net change in non-cash operating balances

Dollars in thousands for years ended December 31

	2006	2005
Increase (decrease) in cash from changes in:		
Receivables	\$ 26	\$ (102)
Prepaid expenses	(163)	(10)
Payables and accruals	365	(107)
Customer transponder amounts	257	242
Deferred revenue	122	101
	<u>\$ 607</u>	<u>\$ 124</u>

9. Transponders *Dollars in thousands*

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as property, plant and equipment (see note 3). In both cases, the transponders are being amortized on a straight-line basis which has been extended to December 31, 2017 from October 31, 2010. This change in accounting estimate resulted in the amortization for the transponders for 2006 to be recorded at \$101 versus \$250 for the shorter amortization period.

The amortization period extension to December 31, 2017 also applies to the deferred transponder charges. Therefore, the deferred transponder charges for 2006 are recorded at \$27 versus \$65 for the shorter amortization period.

10. Financial Instruments

Fair value of financial instruments

Financial instruments of the Commission consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and short (long) term debt. The carrying values of these financial assets and financial liabilities approximate their fair values, except for restricted assets and fixed-rate short (long) term debt, as disclosed in Note 4 and Note 6 respectively.

Interest rate risk

The market value of the Commission's restricted asset investments is directly related to the market interest rate in effect at the time of the market value determination as indicated in Note 4. The Commission is exposed to interest rate cash flow risk on the Line of Credit with the Province of Nova Scotia, as the interest rate is a floating rate that is reset as market rates change, as indicated in Note 6.

11. Related party transactions *Dollars in thousands*

As a provincially controlled public sector entity, the Commission is considered to be related to the Province of Nova Scotia. During the year, the Commission paid \$5,000 on the outstanding Line of Credit to the Province of Nova Scotia leaving a balance at December 31, 2006 of \$12,000 (2005, \$17,000). In addition, the Commission paid interest during the year on the Line of Credit to the Province of Nova Scotia in the amount of \$616 (2005, \$549).

12. Pension plan *Dollars in thousands*

The Commission sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at December 31, 2006. The Commission recognized an expense of \$86 representing a 6% pension contribution for 2006 (\$75 for 2005).

13. Retirement benefits *Dollars in thousands*

- Canadian generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees whose age and years of service total 80 or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of \$218 (2005, \$266) in retirement benefits at December 31, 2006. The amount of <\$48> was allocated to administrative and maintenance expenses for the year (2005, \$27) in this regard.
- The Supplementary Employee Retirement Plan (SERP) is an unfunded defined benefit pension plan which provides for benefits to employees under the following conditions. In summary, benefits are payable for up to ten (10) years commencing at age 60. Benefits are in respect of service prior to January 1, 1991 and no further benefits are being accrued by existing members nor will there be future members under this arrangement. Pension benefits are based on length of service and earnings up to 1991. Benefits are not indexed for inflation either before or after retirement.

A summary of principal pension expense and disclosure information, as required for disclosure purposes pursuant to CICA 3461, for the current fiscal year follows. Actuarial measurements are as of December 31, 2006.

Components of Net Periodic Pension Cost

<i>Dollars in thousands for years ended December 31</i>		
	2006	2005
Interest cost	\$ 26	\$ -
Past service cost	-	546
Costs arising, and net periodic pension cost recognized, in the year	\$ 26	\$ 546

Weighted-Average Assumptions for Expense and Disclosure

	Discount rate
2006	4.7%
2005	4.7%

Changes in Accrued Benefit Obligation

<i>Dollars in thousands for years ended December 31</i>		
	2006	2005
Accrued benefit obligation at end of prior year	\$ 546	\$ -
Interest cost	26	-
Benefits paid	-	-
Past service cost	-	546
Accrued benefit obligation at end of year	\$ 572	\$ 546

Reconciliation of Funded Status to Accrued Benefit Asset (Liability)

	<i>Dollars in thousands for years ended December 31</i>	
	2006	2005
Excess (Deficit) at end of year	\$ (572)	\$ (546)
Unamortized net actuarial loss (gain)	-	-
Accrued benefit asset (liability)	\$ (572)	\$ (546)

14. Incorporation

The Halifax-Dartmouth Bridge Commission (the Commission) was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act - Statutes of Nova Scotia, 2005, c.7*).

The Commission is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

Under the *Halifax-Dartmouth Bridge Commission Act, Section 27 (1)* - With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

The Government of the Province or the Municipality may request the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project as stipulated under the *Halifax-Dartmouth Bridge Commission Act, Section 27 (2)*.

Under the *Halifax-Dartmouth Bridge Commission Act, Section 27 (3)* - Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

15. Contingencies *Dollars in thousands*

- a) A claim in the amount of \$1,044 has been made against the Commission for alleged damages caused to a property owner by modifications to the Angus L. Macdonald Bridge. The eventual outcome of this action is not determinable at this time, and therefore, no amounts have been included in these financial statements.
- b) An accrued liability of \$572 has been included in long term liabilities on the Balance Sheet representing the Supplementary Employee Retirement Plan (see Note 13) which is subject to review and approval by the Department of Finance, Province of Nova Scotia.

16. Additional Credit Facility *Dollars in thousands*

The Commission has a \$5,000 operating loan facility with a chartered bank which bears interest at prime rate minus 0.5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2006, no advances were outstanding.

17. Comparative figures

In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.


3. Property, plant and equipment *(from page 28)*

		<i>Dollars in thousands for years ended December 31</i>			
		2006	2005		
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land		\$ 5,735	\$ -	\$ 5,735	\$ 5,735
Buildings	40 yrs s.l.	2,626	1,586	1,040	990
Bridge and bridge components					
Angus L. Macdonald	20 to 85 yrs s.l.	68,131	24,465	43,666	45,300
A. Murray MacKay	15 to 80 yrs s.l.	24,167	13,595	10,572	11,400
Electronic toll transponders	Life Ext. Dec. 31/2017	1,942	835	1,107	1,019
Computer equipment	30% d.b.	706	586	120	123
Toll and other equipment	20% d.b.	7,140	5,080	2,060	1,931
Mobile equipment	30% d.b.	1,238	979	259	286
		\$ 111,685	\$ 47,126	\$ 64,559	\$ 66,784

Halifax Regional School Board

Consolidated Financial Statements

March 31, 2007

Grant Thornton 

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Board of
The Halifax Regional School Board

We have audited the consolidated statement of financial position of the **Halifax Regional School Board** as at March 31, 2007, and the consolidated statements of operations and surplus, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with other school boards in Nova Scotia, the Board is ultimately accountable for revenue earned by schools from school generated funds, the completeness of which is not susceptible to satisfactory audit verification. In addition, revenues and expenses from school generated funds are recorded on the cash basis, which is not in accordance with Canadian generally accepted accounting principles. Accordingly, our verification of these revenues and expenses is limited to the amounts recorded in the records of the schools in which these funds are held. Therefore, we are not able to determine whether any adjustments might be necessary to school generated revenue, expenditure, excess of revenue over expenditure, assets, liabilities and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary on matters referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
June 15, 2007

Grant Thornton LLP
Chartered Accountants

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Halifax Regional School Board

Consolidated Statement of Financial Position

March 31

2007

2006

Financial Assets

Cash	\$ 22,316,462	\$ 18,274,722
Cash held by schools (Note 9)	6,263,274	5,678,916
Receivables		
Province of Nova Scotia	2,044,867	2,396,642
Province of Nova Scotia – teachers' salary accrual	7,828,626	7,851,021
Province of Nova Scotia – long term service awards (Note 3)	39,807,102	45,540,681
Government of Canada	1,550,314	1,805,458
Other	1,458,326	1,119,430
Total Financial Assets	81,268,971	82,666,870

Liabilities

Payables and accruals – trade	13,506,891	13,316,724
Payables and accruals – government		
Province of Nova Scotia	367,515	101,199
Halifax Regional Municipality	118,437	241,263
Other	395,460	154,107
Teachers' salary accrual	7,828,626	7,851,021
Employee pension, retirement, and post employment benefits	874,548	920,000
Deferred revenue	5,701,957	5,700,432
Service awards (Note 3)	39,807,102	45,540,681
Total Liabilities	68,600,536	73,825,427

Net Assets

	12,668,435	8,841,443
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Non-financial assets

Prepays	1,185,517	1,364,664
Tangible capital assets (Page 24)	1,122,805	460,399
	2,308,322	1,825,063

Accumulated Surplus (Note 10)

\$ 14,976,757	\$ 10,666,506
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Trusts funds (Page 25)

Commitments (Note 5)

Contingencies (Note 6)

On behalf of the Board

_____ Chairperson

_____ Superintendent

See accompanying notes to the consolidated financial statements.

Halifax Regional School Board

Consolidated Statement of Operations and Surplus

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Province of Nova Scotia	\$ 260,546,300	\$ 257,741,251	\$ 242,948,981
Halifax Regional Municipality	103,866,400	103,298,000	99,112,200
Government of Canada	1,238,100	1,399,583	1,335,867
Board operations	5,918,400	7,838,276	5,994,009
School generated funds (Note 9)	-	17,939,628	17,815,068
	<u>371,569,200</u>	<u>388,216,738</u>	<u>367,206,125</u>
Expenditure			
School administration	279,990,800	278,129,481	264,058,825
Program	14,898,400	13,789,037	11,911,588
Board services	3,016,000	3,028,917	3,020,837
Financial services	5,781,000	5,963,386	5,262,857
Operations services	63,122,700	61,468,100	59,551,378
Human resource services	4,760,300	4,172,296	3,095,775
School funded activities (Note 9)	-	17,355,270	17,213,980
	<u>371,569,200</u>	<u>383,906,487</u>	<u>364,115,240</u>
Excess of revenue over expenditure	<u>\$ -</u>	<u>\$ 4,310,251</u>	<u>\$ 3,090,885</u>
Accumulated surplus, beginning of year		\$ 10,666,506	\$ 7,575,621
Excess of revenue over expenditure		4,310,251	3,090,885
Accumulated surplus, end of year (Note 10)		<u>\$ 14,976,757</u>	<u>\$ 10,666,506</u>

See accompanying notes to the consolidated financial statements.

Halifax Regional School Board**Consolidated Statement of Changes in Net Assets**

Year Ended March 31

2007

2006

Net assets, beginning of year	\$ 8,841,443	\$ 6,295,798
Changes in the year		
Excess of revenue over expenditure	4,310,251	3,090,885
Acquisition of tangible capital assets	(925,883)	(293,789)
Amortization of tangible capital assets	263,477	56,437
Decrease (increase) in prepaids	179,147	(307,888)
Increase in net assets	3,826,992	2,545,645
Net assets, end of year	\$ 12,668,435	\$ 8,841,443

See accompanying notes to the consolidated financial statements.

Halifax Regional School Board

Consolidated Statement of Cash Flows

Year Ended March 31

2007

2006

Operating transactions

Excess of revenue over expenditure	\$ 4,310,251	\$ 3,090,885
Non cash items included in annual surplus (amortization)	263,477	56,437
Change in prepaids	179,147	(307,888)
Change in receivables	6,023,997	2,652,088
Change in liabilities	<u>(5,224,891)</u>	<u>2,776,480</u>
Cash provided by operating transactions	<u>5,551,981</u>	<u>8,268,002</u>

Capital transactions

Acquisition of tangible capital assets	<u>(925,883)</u>	<u>(293,789)</u>
Cash applied to capital transactions	<u>(925,883)</u>	<u>(293,789)</u>

Increase in cash and cash equivalents 4,626,098 7,974,213

Cash and cash equivalents, beginning of year 23,953,638 15,979,425

Cash and cash equivalents, end of year **\$ 28,579,736** **\$ 23,953,638**

See accompanying notes to the consolidated financial statements.

Halifax Regional School Board

Notes to the Consolidated Financial Statements

March 31, 2007

1. Nature of operations

The Halifax Regional School Board is an independent legal entity with an elected Board as stipulated under the Education Act. In December 2006, the Minister of Education exercised her authority under Section 68(2) of the Education Act and appointed Mr. Howard Windsor to carry out all the responsibilities and exercise all of the authority of the elected school board members. This governance structure is planned to continue until the next general school board elections in October 2008.

The Board provides a full range of educational services for all instructional programs from Grade Primary through Grade 12 at public schools within the Halifax Regional Municipality. The Board is registered as a charitable organization under the Income Tax Act and, therefore, is exempt from income tax and may issue official receipts to donors for income tax purposes.

2. Financial reporting and accounting policies

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the School Board financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

The consolidated financial statements have also been prepared to comply with the provisions of the School Board Financial Handbook as prescribed by the Ministerial Regulations of the Education Act of Nova Scotia. This handbook was extensively revised to reflect the requirements of the Public Sector Accounting Board, effective March 31, 2005.

These consolidated financial statements have been prepared using the following significant accounting policies:

Revenue

Revenues are recognized on an accrual basis, with the exception of School generated funds which are recorded on a cash basis (Note 9). Grants received, donations and fees collected in advance of the provision or use of related services are deferred.

Each year, contributions by volunteers support the delivery of certain programs within schools. Due to the difficulty in determining or otherwise estimating the value of these contributions and because these services are not otherwise purchased, contributed services are not quantified and recognized in these financial statements.

Expenditure

Expenses are recorded on the accrual basis, with the exception of School generated funds which are recorded on a cash basis (Note 9). Provisions are made for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are revised annually.

Halifax Regional School Board

Notes to the Consolidated Financial Statements

March 31, 2007

2. Financial reporting and accounting policies (continued)

Liabilities

The School Board accrues teachers' and substitutes' salary and benefit costs at year end. As directed by the Province of Nova Scotia, this is offset by a receivable from the Province. The annual accrual and offsetting receivable are adjusted as required.

Salaries, vacation pay and benefits of non-teaching employees are also accrued at year end. There is no equivalent offsetting receivable except for vacation pay.

Following school board amalgamation in 1996, the Halifax Regional School Board provided enhanced pension benefits to certain employees retiring from the Board. The Board recognizes the actuarial liability of these post employment benefits and will amortize it over the remaining period of the pension enhancement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, short term deposits and bank balances held by schools. Bank borrowings are considered to be financing activities.

Net assets

Net assets represents the financial assets of the Board, less direct liabilities.

Non-financial assets

Tangible capital assets having useful lives extending beyond the accounting period, are held for use in the operation of the Board and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets paid for by the Province either through direct payment or cost recovery are excluded as per the School Board Financial Handbook.

All tangible capital assets recorded prior to the March 31, 2005 fiscal year have been removed from the consolidated financial statements. Capital assets purchased by the Board are recorded as assets and amortized according to the Province of Nova Scotia's tangible capital assets accounting policy thresholds. These thresholds are as follows:

Building betterments	\$ 150,000	Amortization:	5% declining balance
Motor vehicles	\$ 15,000	Amortization:	35% declining balance
Computer Hardware	\$ 25,000	Amortization:	50% declining balance

Halifax Regional School Board

Notes to the Consolidated Financial Statements

March 31, 2007

2. Financial reporting and accounting policies (continued)

Under the agreement with the municipal councils, all school buildings and land on hand at January 1, 1982 remain assets of the municipality, but are under the operational control of the Board until such time as the Board no longer requires the asset for school purposes. At that time, control will revert back to the municipal councils.

The Board has made additions to school buildings, legal title to which is held by the Halifax Regional Municipality. Under the Education Act, should the buildings in question be disposed of, the Board will be entitled to a portion of any net proceeds of disposition.

Prepays are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the goods or services are used or consumed.

Trust funds under administration

The trust funds represent capital contributed in trust from which the income thereon is used to provide scholarships for eligible students. A schedule of trust funds is included with these financial statements.

Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts by fund of revenue and expenditure. Actual results could differ from these estimates.

3. Service awards

Qualifying employees receive a service award upon retirement, disability, death or termination, when entitled to a vested pension, under the contracts between unions and the Board and predecessor boards. The contracts prescribe the formulae used in calculating the payment as well as the period over which the payment is to be made.

The Province of Nova Scotia assumed responsibility for the payment of service awards to qualifying employees effective April 1, 2002, and all school boards in Nova Scotia are required to recognize the projected liability with respect to these service awards. The projected liability is offset by a corresponding receivable from the Province. The amount of the projected liability has been determined by the Nova Scotia Department of Finance, based on an actuarial valuation. Beginning in fiscal 2003, school boards remit an amount annually, as determined by the Province of Nova Scotia, as a result of the Province assuming the responsibility for the payment of these service awards.

Halifax Regional School Board

Notes to the Consolidated Financial Statements

March 31, 2007

4. Pension plans

(a) Teachers

The Board's teachers are members of a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act. The Province of Nova Scotia is responsible for funding this plan and accordingly no provision is included in the Board's financial statements for the related pension amounts.

(b) Non-teachers

The Board and its non-teaching employees participate in the Halifax Regional Municipality Pension Plan, a multi-employer pension plan. Employer pension costs of \$4,576,078 (2006 - \$3,588,574) are included in these consolidated financial statements which represent the cost of employer contributions for current service of participating employees during the year. Employees and the employer both contribute at the rate of 10.36% of pensionable earnings.

The date of the last actuarial valuation of the plan was December 31, 2005. An extrapolation of the entire multi-employer pension plan to December 31, 2006 is as follows:

Actuarial value of plan assets	\$ 962,697,000
Estimated present value of accrued pension benefits	\$ 975,867,000
Estimated funding deficit	\$ 13,170,000

5. Commitments

- (a) The Board has entered into agreements to lease buildings and equipment for various periods until 2012. The annual rent of the buildings includes a base rent plus a share of operating expenses. Minimum rent payable for the buildings and equipment is as follows:

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
2008	\$ 86,620	\$ 531,396	\$ 618,016
2009	127,102	481,798	608,900
2010	155,604	310,359	465,963
2011	181,538	192,201	373,739
2012	-	57,905	57,905
	<u>\$ 550,864</u>	<u>\$ 1,573,659</u>	<u>\$ 2,124,523</u>

Halifax Regional School Board

Notes to the Consolidated Financial Statements

March 31, 2007

5. Commitments (continued)

- (b) The Board has contracted for the provision of transportation services until June 30, 2011. The approximate annualized cost of this contract per year is as follows:

2008	\$ 10,867,224
2009	\$ 11,093,876
2010	\$ 11,433,600
2011	\$ 11,783,456
2012	\$ 3,540,562

The contract price will fluctuate based on various provisions in the agreement including school bus utilization and fuel prices.

6. Contingencies

- (a) The Board recorded actual and estimated expenditures relating to known environmental matters in its properties during the year ended March 31, 2007 and prior years. In the event such expenditures occur in the future, the expenditures will be recorded and funded as incurred. The future liability relating to unknown environmental matters in properties is not determinable at this time.
- (b) The Board has not recognized in these consolidated financial statements, the liability associated with accumulated sick leave earned by teachers as the liability cannot be reasonably estimated.
-

7. Bank indebtedness

The Board has an operating line of credit of \$3,200,000 with interest at prime. As at March 31, 2007, this line of credit had not been utilized.

Halifax Regional School Board

Notes to the Consolidated Financial Statements

March 31, 2007

8. Related party transactions

These consolidated financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including, but not limited to:

- Early Retirement Program payments;
- P3 schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums; and
- Certain IT systems and support.

9. School generated funds

These consolidated financial statements include funds arising from certain school and student activities that are controlled and administered locally by each school, but for which the Board is accountable. Revenue from school generated funds is recognized as the funds are received. School funded activities are recorded as funds are expended.

	<u>2007</u>	<u>2006</u>
Changes in cash held by schools are as follows:		
Opening balance	\$ 5,678,916	\$ 5,077,828
Additions to school generated funds	17,939,628	17,815,068
School funded activities	<u>(17,355,270)</u>	<u>(17,213,980)</u>
Closing balance	<u>\$ 6,263,274</u>	<u>\$ 5,678,916</u>

Halifax Regional School Board

Notes to the Consolidated Financial Statements

March 31, 2007

10. Accumulated surplus

Accumulated surplus is the sum of the financial assets plus non-financial assets of the Board less liabilities. This represents the accumulated balance of net surplus arising from the operations of the Board.

The changes in accumulated surplus, as well as the designation of surplus are as follows:

	<u>2007</u>	<u>2006</u>
Opening balance, April 1	\$ 10,666,506	\$ 7,575,621
Surplus – General Fund (page 13)	4,564,389	3,191,993
Deficit – Supplementary Fund (page 20)	<u>(254,138)</u>	<u>(101,108)</u>
Ending balance, March 31	<u>\$ 14,976,757</u>	<u>\$ 10,666,506</u>
Designation of accumulated surplus		
General Fund - unrestricted	\$ 7,328,161	\$ 3,701,878
General Fund - program resources (schools)	613,245	867,798
General Fund - capital amortization	1,002,390	394,089
School based funds	6,263,274	5,678,916
Supplementary funds	<u>(230,313)</u>	<u>23,825</u>
	<u>\$ 14,976,757</u>	<u>\$ 10,666,506</u>

11. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Halifax Regional School Board

General Fund

Statement of Operations

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Province of Nova Scotia	\$ 260,546,300	\$ 257,741,251	\$ 242,948,981
Halifax Regional Municipality	83,020,200	83,020,200	78,266,000
Government of Canada	1,238,100	1,399,583	1,335,867
Board operations	5,918,400	7,838,276	5,994,009
School generated funds (Note 9)	-	17,939,628	17,815,068
	<u>350,723,000</u>	<u>367,938,938</u>	<u>346,359,925</u>
Expenditure			
School administration	259,218,300	257,671,243	243,187,517
Program	14,898,400	13,789,037	11,911,588
Board services	3,016,000	3,028,917	3,020,837
Financial services	5,781,000	5,963,386	5,262,857
Operations services	63,049,000	61,394,400	59,475,378
Human resource services	4,760,300	4,172,296	3,095,775
School funded activities (Note 9)	-	17,355,270	17,213,980
	<u>350,723,000</u>	<u>363,374,549</u>	<u>343,167,932</u>
Excess of revenue over expenditure	\$ -	\$ 4,564,389	\$ 3,191,993
Accumulated surplus, beginning of year		\$ 10,642,681	\$ 7,450,688
Excess of revenue over expenditure		<u>4,564,389</u>	<u>3,191,993</u>
Accumulated surplus, end of year		<u>\$ 15,207,070</u>	<u>\$ 10,642,681</u>

Halifax Regional School Board

General Fund

Detail of Revenue

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Province of Nova Scotia			
Formula funding	\$ 246,343,600	\$ 245,958,214	\$ 235,823,153
Provincial initiatives	8,983,700	6,729,818	4,343,632
Capital grants	817,100	768,527	1,758,258
Other	<u>4,401,900</u>	<u>4,284,692</u>	<u>1,023,938</u>
	<u>260,546,300</u>	<u>257,741,251</u>	<u>242,948,981</u>
Halifax Regional Municipality			
Mandatory funding	<u>83,020,200</u>	<u>83,020,200</u>	<u>78,266,000</u>
Government of Canada			
Adult ESL	676,700	854,923	710,258
Minority official language	229,100	161,674	217,585
French special projects	332,300	313,777	334,657
Other	<u>-</u>	<u>69,209</u>	<u>73,367</u>
	<u>1,238,100</u>	<u>1,399,583</u>	<u>1,335,867</u>
Board Operations			
Investment income	450,000	1,508,833	718,836
FLEC's fees	319,300	254,616	264,193
Summer school fees	70,000	42,700	67,368
Facilities rentals	517,600	748,302	863,060
EXCEL program fees	2,948,400	3,298,122	2,688,158
International students	1,505,700	1,877,755	1,203,333
Other	<u>107,400</u>	<u>107,948</u>	<u>189,061</u>
	<u>5,918,400</u>	<u>7,838,276</u>	<u>5,994,009</u>
School generated funds (Note 9)	<u>-</u>	<u>17,939,628</u>	<u>17,815,068</u>
	<u>\$ 350,723,000</u>	<u>\$ 367,938,938</u>	<u>\$ 346,359,925</u>

Halifax Regional School Board

General Fund

Detail of Expenditure

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
School Administration			
Board administration			
Salaries	\$ 1,751,600	\$ 1,539,243	\$ 1,561,901
Benefits	125,100	118,539	108,628
Supplies and materials	49,400	55,650	52,934
Other	<u>58,900</u>	<u>64,121</u>	<u>49,762</u>
	<u>1,985,000</u>	<u>1,777,553</u>	<u>1,773,225</u>
 Instruction			
Teachers' salaries	148,405,800	147,128,166	143,414,956
Substitutes	9,337,200	9,243,235	8,384,717
Benefits	<u>10,919,900</u>	<u>10,386,420</u>	<u>11,165,026</u>
	<u>168,662,900</u>	<u>166,757,821</u>	<u>162,964,699</u>
 Special Education			
Teachers' salaries	17,160,900	16,586,964	15,357,810
Educational program assistants	14,919,300	14,773,740	13,603,329
Benefits	5,130,600	5,158,672	4,640,488
Travel	<u>27,200</u>	<u>28,792</u>	<u>16,117</u>
	<u>37,238,000</u>	<u>36,548,168</u>	<u>33,617,744</u>
 Student Support			
Salaries	6,911,200	7,062,029	5,528,445
Benefits	506,000	488,653	378,506
Other	<u>1,401,900</u>	<u>803,210</u>	<u>419,947</u>
	<u>8,819,100</u>	<u>8,353,892</u>	<u>6,326,898</u>
 Program Support Resources			
School based and centrally managed materials	3,083,200	4,759,744	3,578,969
Equipment	560,000	87,426	63,394
Telephone, data and fax lines	1,107,900	1,166,655	1,067,268
Technology	295,000	1,363,199	386,245
Textbook credit allocation	3,322,900	3,324,560	3,245,500
Grants	888,800	681,855	313,445
Travel	<u>193,000</u>	<u>204,158</u>	<u>199,339</u>
	<u>9,450,800</u>	<u>11,587,597</u>	<u>8,854,160</u>
 Library and Guidance			
Teachers' salaries – guidance	3,782,100	3,630,912	3,491,757
Teachers' salaries – library	889,100	596,540	830,027
Library support specialists	556,100	510,990	357,761
Benefits	<u>414,700</u>	<u>385,857</u>	<u>345,881</u>
	<u>5,642,000</u>	<u>5,124,299</u>	<u>5,025,426</u>

Halifax Regional School Board

General Fund

Detail of Expenditure

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Teacher Administrators			
Salaries	\$ 17,709,000	\$ 18,004,114	\$ 16,184,780
Benefits	899,400	839,568	818,706
	<u>18,608,400</u>	<u>18,843,682</u>	<u>17,003,486</u>
Program Support Staff			
School secretaries	4,638,700	4,614,864	4,267,315
Security	98,000	75,924	67,535
Lunch and bus monitors	907,200	919,206	853,737
Pre-primary program	310,800	224,893	74,259
Benefits	1,220,600	1,201,394	1,012,644
	<u>7,175,300</u>	<u>7,036,281</u>	<u>6,275,490</u>
Professional Development	<u>172,200</u>	<u>129,498</u>	<u>122,866</u>
International Services	<u>1,076,500</u>	<u>1,234,976</u>	<u>928,983</u>
Adult and Community Education	<u>318,100</u>	<u>-224,872</u>	<u>228,351</u>
Summer School	<u>70,000</u>	<u>52,604</u>	<u>66,189</u>
Total School Administration	<u>\$ 259,218,300</u>	<u>\$ 257,671,243</u>	<u>\$ 243,187,517</u>
Program			
Board Administration			
Salaries	\$ 2,656,000	\$ 2,694,234	\$ 2,445,530
Benefits	180,100	174,340	161,750
Supplies and materials	95,400	144,511	108,884
Other	67,700	55,067	60,424
	<u>2,999,200</u>	<u>3,068,152</u>	<u>2,776,588</u>
Special Education			
Salaries	4,680,100	4,377,298	4,216,930
Benefits	324,300	314,493	311,790
Supplies and materials	1,730,200	1,165,733	1,105,318
	<u>6,734,600</u>	<u>5,857,524</u>	<u>5,634,038</u>
Student Support			
Salaries	656,300	680,435	529,455
Benefits	37,900	37,326	27,959
Contracted services	175,000	224,191	88,880
Other	73,300	23,828	58,991
	<u>942,500</u>	<u>965,780</u>	<u>705,285</u>

Halifax Regional School Board

General Fund

Detail of Expenditure

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Program Support Resources	\$ 1,433,000	\$ 1,305,754	\$ 823,520
Professional Development	2,789,100	2,591,827	1,972,157
Total Program	<u>\$ 14,898,400</u>	<u>\$ 13,789,037</u>	<u>\$ 11,911,588</u>
Board Services			
Board Governance			
Honoraria	\$ 118,800	\$ 98,917	\$ 119,209
NSSBA dues	177,000	177,033	178,542
Travel and conferences	69,700	47,797	34,462
Other	53,000	24,452	99,974
	<u>418,500</u>	<u>348,199</u>	<u>432,187</u>
Board Services			
Salaries	1,307,500	1,093,674	957,292
Benefits	217,100	178,381	139,573
Supplies and materials	522,900	640,772	549,991
Professional services	525,000	737,914	908,181
Travel	25,000	29,977	33,613
	<u>2,597,500</u>	<u>2,680,718</u>	<u>2,588,650</u>
Total Board Services	<u>\$ 3,016,000</u>	<u>\$ 3,028,917</u>	<u>\$ 3,020,837</u>
Financial Services			
Board Administration			
Salaries	\$ 1,415,000	\$ 1,397,458	\$ 1,350,410
Benefits	297,600	280,097	251,195
Supplies and materials	95,000	80,349	86,161
Liability insurance	267,200	267,363	252,106
Professional fees	50,000	42,512	50,000
Service contracts	331,600	326,228	373,371
Other	30,900	18,079	23,761
	<u>2,487,300</u>	<u>2,412,086</u>	<u>2,387,004</u>
EXCEL Program			
Salaries	2,115,900	2,143,643	1,742,297
Benefits	214,400	212,425	170,941
Supplies and materials	228,200	281,871	201,221
Other	58,500	58,718	51,136
	<u>2,617,000</u>	<u>2,696,657</u>	<u>2,165,595</u>

Halifax Regional School Board

General Fund

Detail of Expenditure

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Adult ESL	\$ 676,700	\$ 854,643	\$ 710,258
Total Financial Services	\$ 5,781,000	\$ 5,963,386	\$ 5,262,857
Operations Services			
Board Administration			
Salaries	\$ 1,439,400	\$ 1,361,660	\$ 1,403,045
Benefits	283,700	269,509	252,523
Other	143,700	171,031	131,640
	<u>1,866,800</u>	<u>1,802,200</u>	<u>1,787,208</u>
Custodial Services			
Salaries	11,547,800	11,426,063	10,981,743
Benefits	3,280,200	3,386,104	3,089,427
Supplies and equipment	1,000,000	1,207,005	1,042,239
Building rent expense	63,800	63,512	63,796
Contracted services			
Snow removal	1,139,800	873,320	776,570
Garbage	499,300	566,357	474,228
Grass cutting	75,000	94,268	65,984
P3 school maintenance	250,000	250,004	252,211
Security	-	-	22,877
Other	15,000	5,908	4,019
	<u>17,870,900</u>	<u>17,872,541</u>	<u>16,773,094</u>
Maintenance Services			
Salaries	1,880,800	1,774,014	1,535,053
Benefits	517,400	502,790	408,202
Supplies and equipment	5,529,600	6,980,417	4,783,631
Vehicle operating expense	175,000	197,415	186,683
Regulatory maintenance services	900,000	935,367	1,117,660
Relocation expenses	103,500	143,194	135,143
Other	6,300	688	2,837
	<u>9,112,600</u>	<u>10,533,885</u>	<u>8,169,209</u>
Plant Operations			
Insurance	850,600	817,877	794,705
Utilities			
Electricity	5,249,300	4,895,076	4,328,018
Heating fuel	5,901,800	4,967,198	4,881,623
Water/sewer	924,000	912,993	925,967
Telephone	75,000	86,500	78,934
	<u>13,000,700</u>	<u>11,679,644</u>	<u>11,009,247</u>

Halifax Regional School Board

General Fund

Detail of Expenditure

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Capital Repairs and Renovations	\$ 4,761,100	\$ 3,377,864	\$ 5,511,842
Student Transportation	<u>12,565,000</u>	<u>12,403,442</u>	<u>12,490,916</u>
Technology Services			
Salaries	1,518,400	1,534,182	1,285,934
Benefits	333,600	335,332	256,762
Supplies and materials	1,064,100	927,695	1,339,057
IEIE – non-salary expenses	149,100	149,722	118,852
Other	<u>294,400</u>	<u>326,365</u>	<u>274,097</u>
	<u>3,359,600</u>	<u>3,273,296</u>	<u>3,274,702</u>
Facilities Rentals			
Salaries	390,500	382,000	389,234
Benefits	62,600	16,673	16,779
Supplies and materials	<u>59,200</u>	<u>52,855</u>	<u>53,147</u>
	<u>512,300</u>	<u>451,528</u>	<u>459,160</u>
Total Operations Services	<u>\$ 63,049,000</u>	<u>\$ 61,394,400</u>	<u>\$ 59,475,378</u>
Human Resource Services			
Board Administration			
Salaries	\$ 1,359,800	\$ 1,433,895	\$ 1,105,970
Benefits	271,700	262,623	202,335
Supplies and materials	244,200	233,065	218,675
Professional services	50,000	27,616	48,731
Telephones	18,000	8,995	13,530
Other	<u>151,800</u>	<u>116,216</u>	<u>150,073</u>
	<u>2,095,500</u>	<u>2,082,410</u>	<u>1,739,314</u>
Staff Development			
Sabbaticals	130,000	310,838	130,232
Professional development	<u>2,534,800</u>	<u>1,779,048</u>	<u>1,226,229</u>
	<u>2,664,800</u>	<u>2,089,886</u>	<u>1,356,461</u>
Total Human Resources Services	<u>\$ 4,760,300</u>	<u>\$ 4,172,296</u>	<u>\$ 3,095,775</u>
School funded activities (Note 9)	<u>\$ -</u>	<u>\$ 17,355,270</u>	<u>\$ 17,213,980</u>
Total expenditure	<u>\$ 350,723,000</u>	<u>\$ 363,374,549</u>	<u>\$ 343,167,932</u>

Halifax Regional School Board

Supplementary Fund

Statement of Operations and Deficit

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Halifax Regional Municipality	\$ 20,846,200	\$ 20,277,800	\$ 20,846,200
Expenditure			
School administration	20,772,500	20,458,238	20,871,308
Operations services	<u>73,700</u>	<u>73,700</u>	<u>76,000</u>
	<u>20,846,200</u>	<u>20,531,938</u>	<u>20,947,308</u>
Deficiency of revenue over expenditure	\$ -	\$ (254,138)	\$ (101,108)
Surplus, beginning of year		\$ 23,825	\$ 124,933
Deficiency of revenue over expenditure		<u>(254,138)</u>	<u>(101,108)</u>
(Deficit) surplus, end of year		<u>\$ (230,313)</u>	<u>\$ 23,825</u>

Halifax Regional School Board

Supplementary Fund - Halifax

Detail of Revenue and Expenditure

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Halifax Regional Municipality	\$ 12,295,000	\$ 12,121,817	\$ 12,295,000
Expenditure			
School Administration			
Teachers' salaries			
Classroom	5,661,200	5,333,654	5,424,935
Special education	1,722,800	1,689,285	1,692,059
Guidance	415,600	413,218	349,535
Teacher administrators	910,100	908,681	1,195,791
Substitutes	304,800	304,800	304,514
Non-teachers' salaries			
Educational program assistants	877,900	866,628	856,070
Library support specialists	793,800	776,757	782,078
School secretaries	147,600	155,060	191,973
Student support workers	65,900	65,913	65,781
Benefits	1,145,700	1,026,968	1,012,856
Program Support Resources	249,600	594,969	413,094
	<u>12,295,000</u>	<u>12,135,933</u>	<u>12,288,686</u>
(Deficiency) excess of revenue over expenditure	\$ -	\$ (14,116)	\$ 6,314
Surplus, beginning of year		\$ 17,930	\$ 11,616
(Deficiency) excess of revenue over expenditure		(14,116)	6,314
Surplus, end of year		\$ 3,814	\$ 17,930

Halifax Regional School Board Supplementary Fund - Dartmouth Detail of Revenue and Expenditure

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Halifax Regional Municipality	\$ 5,239,200	\$ 4,901,943	\$ 5,239,200
Expenditure			
School Administration			
Teachers' salaries			
Classroom	2,227,600	2,181,878	2,046,940
Special education	803,300	804,002	809,528
Guidance	246,400	256,768	241,044
Teacher administrators	160,600	154,740	171,581
Substitutes	120,300	122,292	117,696
Non-teachers' salaries			
Educational program assistants	381,700	341,958	373,651
Library support specialists	427,000	435,639	423,232
School secretaries	108,800	114,203	128,522
Student support workers	33,000	35,168	32,451
Benefits	509,200	468,469	444,711
Program Support Resources	147,600	146,211	390,484
	5,165,500	5,061,328	5,179,840
Student transportation	73,700	73,700	76,000
	5,239,200	5,135,028	5,255,840
Deficiency of revenue over expenditure	\$ -	\$ (233,085)	\$ (16,640)
Surplus, beginning of year		\$ 1,974	\$ 18,614
Deficiency of revenue over expenditure		(233,085)	(16,640)
(Deficit) surplus, end of year		\$ (231,111)	\$ 1,974

Halifax Regional School Board Supplementary Fund – Halifax County/Bedford Detail of Revenue and Expenditure

Year Ended March 31

2007

2006

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Halifax Regional Municipality	\$ 3,312,000	\$ 3,254,040	\$ 3,312,000
Expenditure			
Centrally Managed Services			
Teachers' salaries			
Special education	1,456,100	1,462,335	1,301,679
Substitutes	51,000	51,000	48,304
Non-teachers' salaries			
Educational program assistants	29,800	35,775	34,009
Benefits	110,400	106,117	98,755
	<u>1,647,300</u>	<u>1,655,227</u>	<u>1,482,747</u>
Family Allocations			
Budget allocated to families	1,664,700	-	-
Teachers' salaries			
Classroom	-	686,873	665,330
Special education	-	5,128	56,785
Teacher librarians	-	-	22,507
Administrators	-	49,293	63,927
Substitutes	-	-	58,860
Non-teachers' salaries			
Educational program assistants	-	52,480	7,925
Library support specialists	-	477,114	526,284
School secretaries	-	90,601	91,432
Benefits	-	198,250	196,353
Supplies and materials	-	46,011	230,632
	<u>1,664,700</u>	<u>1,605,750</u>	<u>1,920,035</u>
	<u>3,312,000</u>	<u>3,260,977</u>	<u>3,402,782</u>
Deficiency of revenue over expenditure	\$ -	\$ (6,937)	\$ (90,782)
Surplus, beginning of year		\$ 3,922	\$ 94,704
Deficiency of revenue over expenditure		<u>(6,937)</u>	<u>(90,782)</u>
(Deficit) surplus, end of year		<u>\$ (3,015)</u>	<u>\$ 3,922</u>

Halifax Regional School Board

Supplementary Details of Tangible Capital Assets (Note 2)

Year Ended March 31, 2007

	<u>Buildings</u>	<u>Vehicles</u>	<u>Computer Hardware</u>	<u>Total</u>
Cost of tangible assets				
Opening costs	\$ 424,747	\$ 120,651	\$ -	\$ 545,398
Additions	498,966	118,944	307,973	925,883
Disposals	-	-	-	-
Closing costs	<u>923,713</u>	<u>239,595</u>	<u>307,973</u>	<u>1,471,281</u>
Accumulated amortization				
Opening balance	30,658	54,341	-	84,999
Disposals	-	-	-	-
Amortization expense	<u>44,652</u>	<u>64,839</u>	<u>153,986</u>	<u>263,477</u>
Closing balance	<u>75,310</u>	<u>119,180</u>	<u>153,986</u>	<u>348,476</u>
Net book value	<u>\$ 848,403</u>	<u>\$ 120,415</u>	<u>\$ 153,987</u>	<u>\$ 1,122,805</u>
Opening balance, April 1, 2006	\$ 394,089	\$ 66,310	\$ -	\$ 460,399
Closing balance, March 31, 2007	<u>848,403</u>	<u>120,415</u>	<u>153,987</u>	<u>1,122,805</u>
Increase in net book value	<u>\$ 454,314</u>	<u>\$ 54,105</u>	<u>\$ 153,987</u>	<u>\$ 662,406</u>

Halifax Regional School Board
Schedule of Trust Funds
March 31, 2007

	Harold T Barrett	Edna Carol Price	Charles High Lammert Trust	Colin Harrison High Arts Award	John Travers Sargent	Donna Rutland	Don Rutland	Donald Rutland	Lynne Sargent	Abbie J Lane	Madeline Lammert Rutland	Christopher Maxwell	Maria Miller Schuster	Wick Chase	George Fuchs	Anne M Chase	James R Chase	Ron Phipps Memorial Fund	Alma H Stafford	Marjorie Stafford	Donald Talley Memorial Service	Carl & Rita Turner	Burji Varma Scholarship Fund	Women in Business Service	Total	
Cash	1,740	63	74,308	1,828	11,764	89	3,388	430	213	1,041	3,558	88	1,980	3,453	178	(50)	7,082	949	909	2,183	4,819	1,515	14,884	512	138,888	
Invested Cash	10,000	1,470		0	0	900	0	7,823	0	8,500	5,000	500		0	10,000	5,000	100,000	0	18,317	0	0	0	0	0	184,318	
	11,740	1,533	74,308	1,828	11,764	989	3,388	7,473	213	9,541	8,558	588	1,980	3,453	10,178	4,950	107,082	949	19,326	2,183	4,819	1,515	14,884	512	390,998	
Equity Fund	11,740	1,533	74,308	1,828	11,764	989	3,388	7,473	213	9,541	8,558	588	1,980	3,453	10,178	4,950	107,082	949	19,326	2,183	4,819	1,515	14,884	512	390,998	
Balance, beginning of year	11,300	1,887	0	1,364	11,712	548	4,218	7,183	705	8,184	8,238	588	0	3,850	10,384	5,254	108,184	1,208	19,808	2,476	5,128	1,458	14,818	184	234,218	
Revenues	0	0	147,821	450	0	0	0	0	0	0	0	0	2,100	0	0	0	0	0	0	0	0	0	0	0	310	150,581
Interest earned	440	88	1,445	84	452	21	148	280	8	387	320	22	80	143	382	198	3,888	40	835	84	181	97	388	18	18,081	
	11,740	1,833	148,081	1,828	12,184	569	4,368	7,473	213	9,541	8,558	588	2,180	4,093	10,878	5,450	110,182	1,449	17,511	2,568	5,319	1,515	15,394	512	384,998	
Grants paid	0	400	74,733	0	400	0	1,000	0	0	0	0	0	200	840	900	300	3,100	300	583	375	300	0	500	0	83,883	
	11,740	1,833	74,308	1,828	11,764	569	3,368	7,473	213	9,541	8,558	588	1,980	3,453	10,178	4,950	107,082	949	19,326	2,183	4,819	1,515	14,884	512	390,998	
Balance, end of year	11,740	1,833	74,308	1,828	11,764	569	3,368	7,473	213	9,541	8,558	588	1,980	3,453	10,178	4,950	107,082	949	19,326	2,183	4,819	1,515	14,884	512	390,998	

Highway 104 Western Alignment Corporation
Financial Statements

March 31, 2007

Grant Thornton 

Grant Thornton LLP
Chartered Accountants
Management Consultants

Grant Thornton 

Auditors' Report

To the Shareholder of Highway 104
Western Alignment Corporation

We have audited the balance sheet of **Highway 104 Western Alignment Corporation** as at March 31, 2007, and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
May 9, 2007

Grant Thornton LLP
Chartered Accountants

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Highway 104 Western Alignment Corporation

Statements of Earnings and Deficit

Year Ended March 31

Budget
2007
(unaudited)

Actual
2007

2006

Revenue			
Facility revenue	\$ 17,105,100	\$ 17,076,909	\$ 17,199,316
Interest income	<u>680,300</u>	<u>1,228,476</u>	<u>905,383</u>
	<u>17,785,400</u>	<u>18,305,385</u>	<u>18,104,699</u>
Expenses			
Bondholder representative fees	170,200	110,129	192,623
Trustee fees	34,700	34,320	41,791
Salaries and benefits	151,600	158,749	153,246
Office	48,400	50,573	46,208
General and administrative	236,200	157,529	250,149
Enforcement	60,000	60,000	60,000
Independent engineer	50,000	37,625	39,333
Routine maintenance	937,500	893,704	929,174
Major maintenance	1,267,000	892,635	417,300
Facility operations	2,074,600	2,029,617	2,037,898
Transponders	<u>-</u>	<u>36,916</u>	<u>45,835</u>
	<u>5,030,200</u>	<u>4,461,797</u>	<u>4,213,557</u>
Earnings before other items	12,755,200	13,843,588	13,891,142
Other items			
Government assistance amortization (Note 2)	1,505,300	1,394,726	1,328,310
Amortization and depreciation	(3,471,500)	(3,330,699)	(3,138,232)
Interest on long term debt	<u>(9,325,800)</u>	<u>(8,876,540)</u>	<u>(8,597,503)</u>
Net earnings	\$ <u>1,463,200</u>	\$ <u>3,031,075</u>	\$ <u>3,483,717</u>
Deficit, beginning of year		\$ (21,206,799)	\$ (18,022,526)
Net earnings		3,031,075	3,483,717
Transfer from (to) reserve for restricted assets (Note 9)		<u>397,591</u>	<u>(6,667,990)</u>
Deficit, end of year		\$ <u>(17,778,133)</u>	\$ <u>(21,206,799)</u>

See accompanying notes to the financial statements.

Grant Thornton

Highway 104 Western Alignment Corporation Balance Sheet

March 31

2007

2006

Assets**Current**

Cash and cash equivalents	\$ 651,111	\$ 552,477
Inventory	14,137	8,898
Prepays (Note 3)	384,616	365,071
Receivables (Note 4)	<u>64,052</u>	<u>106,391</u>
	1,113,916	1,032,837

Restricted assets (Note 5)	32,427,057	32,824,648
Facility (Note 6)	100,666,644	103,775,444
Deferred financing fees (Note 2)	<u>429,664</u>	<u>465,098</u>
	\$ <u>134,637,281</u>	\$ <u>138,098,027</u>

Liabilities**Current**

Payables and accruals	\$ 1,538,155	\$ 698,785
Current portion of long term debt (Note 7)	2,029,587	2,498,137
Deferred revenue	<u>816,493</u>	<u>760,297</u>
	4,384,235	3,957,219

Long term debt (Note 7)	76,569,989	82,094,100
Payable to the Province of Nova Scotia (Note 8)	250,000	250,000
Deferred government assistance (Note 2)	<u>44,723,213</u>	<u>46,117,939</u>
	<u>125,927,437</u>	<u>132,419,258</u>

Shareholder's Equity

Capital stock, one no par value share issued and

outstanding in favour of the Province of Nova Scotia

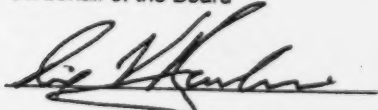
Reserve for restricted assets (Note 9)

Deficit

	1	1
	26,487,976	26,885,567
	<u>(17,778,133)</u>	<u>(21,206,799)</u>
	<u>8,709,844</u>	<u>5,678,769</u>
	\$ <u>134,637,281</u>	\$ <u>138,098,027</u>

Commitments and contractual obligations (Note 12)

On behalf of the Board



President

See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation

Statement of Cash Flows

Year Ended March 31

2007

2006

Increase (decrease) in cash and cash equivalents

Operating		
Net earnings	\$ 3,031,075	\$ 3,483,717
Government assistance amortization	(1,394,726)	(1,328,310)
Capitalized interest on bonds (Note 7)	-	2,018,580
Amortization of deferred financing fees	35,434	35,434
Amortization and depreciation	<u>3,330,699</u>	<u>3,138,232</u>
	5,002,482	7,347,653
Change in non-cash operating working capital (Note 11)	<u>913,121</u>	<u>428,433</u>
	<u>5,915,603</u>	<u>7,776,086</u>
Financing		
Principal repayment on bonds	<u>(5,992,661)</u>	<u>(1,108,652)</u>
Investing		
Decrease (increase) in restricted assets	397,591	(6,667,990)
Additions to facility	<u>(221,899)</u>	<u>-</u>
	<u>175,692</u>	<u>(6,667,990)</u>
Net increase (decrease) in cash and cash equivalents	98,634	(556)
Cash and cash equivalents, beginning of year	<u>552,477</u>	<u>553,033</u>
Cash and cash equivalents, end of year	\$ <u>651,111</u>	\$ <u>552,477</u>

See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation

Notes to the Financial Statements

March 31, 2007

1. Nature of operations

The Corporation has been established for the purpose of financing, designing, constructing, operating and maintaining the Facility consisting mainly of a 45 km stretch of highway (referred to as the Highway 104 Western Alignment) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia. The Corporation has been designated a Government Business Enterprise by the Nova Scotia Provincial Finance Act. The Corporation follows generally accepted accounting policies for profit-oriented enterprises.

2. Summary of significant accounting policies

Pre-operating and operating periods

The pre-operating period was the twenty month construction period commencing April 1, 1996 until the date of acceptance in November 1997. Operations began December 1, 1997.

Facility

The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the Facility include certified progress payments to the Facility's contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized commencing at the start of the operating period until March 31, 2026 using the sinking fund method with an annual compounding rate of 5% except as described below.

Also included in the Facility are computer equipment costs of \$44,940. These costs have been amortized over three years under the straight line method.

The Corporation plans to purchase a new tolling system, new tolling booths, and a new generator. Accordingly, the useful life of those existing assets will expire in 2008. The remaining value of those assets is being amortized using the straight line method, over the remaining useful life of those assets. In the current year, amortization costs have increased by \$187,920 as a result of the change in amortization period.

The new tolling system and generator are currently under development and therefore no depreciation has been recorded in the year.

Revenue recognition

The Corporation recognizes revenue at the time a vehicle utilizes the highway.

Deferred costs - financing fees

Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and are being amortized to operations over the term of the related bond debt commencing at the start of the operating period.

Highway 104 Western Alignment Corporation

Notes to the Financial Statements

March 31, 2007

2. Summary of significant accounting policies (continued)

Deferred government assistance

Government assistance provided by the Province of Nova Scotia has been recorded as a deferral and is being amortized to operations over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less with the exception of restricted cash balances which are included in restricted assets. Bank borrowings are considered to be financing activities.

Use of estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3. Prepaids	2007	2006
Operating expenses	\$ 36,617	\$ 32,349
Advance to operator	<u>347,999</u>	<u>332,722</u>
	<u>\$ 384,616</u>	<u>\$ 365,071</u>

4. Receivables	2007	2006
Harmonized Sales Tax	\$ 42,771	\$ 106,391
Other	<u>21,281</u>	<u>-</u>
	<u>\$ 64,052</u>	<u>\$ 106,391</u>

5. Restricted assets	Cash	Investments	2007 Total	2006 Total
Senior debt service reserve account	\$ 49	\$ 9,505,889	\$ 9,505,938	\$ 9,162,292
Capital reserve account	28	14,805,373	14,805,401	18,876,605
Major maintenance reserve account	<u>787</u>	<u>8,114,931</u>	<u>8,115,718</u>	<u>4,785,751</u>
	<u>\$ 864</u>	<u>\$ 32,426,193</u>	<u>\$ 32,427,057</u>	<u>\$ 32,824,648</u>

Highway 104 Western Alignment Corporation

Notes to the Financial Statements

March 31, 2007

5. Restricted assets (continued)

Investments are recorded at cost, have a weighted average term of 5.67 (2006 - 11.15) months to maturity and a weighted average interest rate of 4.47% (2006 - 4.28%). The market value of the investments approximates the carrying value.

The following restricted accounts have been established in accordance to trust indenture agreements between the Corporation and the senior and junior bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia:

- (i) The capital reserve account has been established to provide funds to pay the interest and principal on the senior and junior bonds and the subordinated notes. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account. This account provides funding to the major maintenance reserve and the senior debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank accounts of the Corporation.
- (ii) The senior debt service reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.
- (iii) The major maintenance reserve account has been established for the purpose of paying major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account in accordance with a maintenance budget recommended by the Independent Engineer through the terms of the major maintenance reserve fund agreement.

6. Facility

			<u>2007</u>	<u>2006</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Total</u>	<u>Net Book Total</u>
Facility	\$ 124,667,560	\$ 24,222,813	\$ 100,444,747	\$ 103,775,444
New Tolling System	102,095	-	102,095	-
New Generator	119,802	-	119,802	-
Total	<u>\$ 124,889,457</u>	<u>\$ 24,222,813</u>	<u>\$ 100,666,644</u>	<u>\$ 103,775,444</u>

Highway 104 Western Alignment Corporation

Notes to the Financial Statements

March 31, 2007

7. Long term debt	<u>2007</u>	<u>2006</u>
Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2006 and then 80 equal blended quarterly payments of interest and principal of \$2,251,191. The amount by which the interest expense has exceeded interest payments has been capitalized as part of the principal. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.	\$ 75,618,312	\$ 76,883,622
Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 until March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of \$231,737. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders.	<u>2,981,264</u> 78,599,576	<u>7,708,615</u> 84,592,237
Less: principal repayments due within one year	<u>2,029,587</u>	<u>2,498,137</u>
	\$ <u>76,569,989</u>	\$ <u>82,094,100</u>

Minimum principal repayments required are as follows:

2008	\$ 2,029,587
2009	2,247,401
2010	2,488,582
2011	2,755,649
2012	2,086,359

The combined fair value of the Corporation's long term debt, as comprised by senior and junior toll revenue bonds, is \$103,679,553 (2006 - \$109,706,839) and is determined using cash flows discounted at a rate equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics.

Highway 104 Western Alignment Corporation

Notes to the Financial Statements

March 31, 2007

8. Payable to the Province of Nova Scotia

On the date of acceptance, the Province advanced \$250,000 to the Corporation to facilitate the Provincial subsidy. Under the First Amendment to the Omnibus Agreement, the Province reduced the tolls for transponder users and created a Provincial subsidy payable to the Corporation to offset the reduction. The advance is to be repaid to the Province on the earlier of the date when the toll rates are reinstated to the original rates as laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

9. Reserve for restricted assets

The capital reserve account is to be funded from excess funds in the Project Bank Account. In addition, any interest earned on restricted assets forms part of the reserve account.

	<u>2007</u>	<u>2006</u>
Reserve for restricted assets, beginning of year	\$ <u>26,885,567</u>	\$ <u>20,217,577</u>
Transfers from project account	13,556,899	13,540,673
Interest income	1,189,352	882,413
Long term debt payments, including interest	(14,833,767)	(7,652,141)
Major maintenance payments, including HST to be recovered	(310,075)	(18,828)
Payments made to bondholders	<u>-</u>	<u>(84,127)</u>
	<u>(397,591)</u>	<u>6,667,990</u>
Reserve for restricted assets, end of year	\$ <u>26,487,976</u>	\$ <u>26,885,567</u>

10. Financial Instruments

The Corporation's financial instruments consist of cash, receivables, restricted assets, payables and accruals, amount payable to the Province of Nova Scotia, deferred revenue and long term debt. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Corporation estimates the fair value of its financial instruments to approximate their carrying values with the exception of long term debt as outlined in Note 7 to the financial statements.

Highway 104 Western Alignment Corporation Notes to the Financial Statements

March 31, 2007

11. Supplemental cash flow information	2007	2006
Change in non-cash operating working capital		
Inventory	\$ (5,239)	\$ (2,397)
Prepays	(19,545)	(6,059)
Receivables	42,339	354
Payables and accruals	839,370	392,490
Deferred revenue	<u>56,196</u>	<u>44,045</u>
	<u>\$ 913,121</u>	<u>\$ 428,433</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	<u>\$ 651,111</u>	<u>\$ 552,477</u>
Interest paid	<u>\$ 8,876,540</u>	<u>\$ 6,543,489</u>

12. Commitments and contractual obligations

The Corporation has entered into the following agreements to finance, design, construct, operate and maintain the Highway 104 Western Alignment:

- **Omnibus Agreement**

Agreement dated April 1, 1996, between the Corporation, the Contractor, the Operator and the Province of Nova Scotia to design, finance, construct, operate and maintain the Highway 104 Western Alignment. This agreement acknowledges that the Corporation has entered into a Design Build Agreement and an Operating Agreement to fulfill its obligations to the Province.

Under this agreement, the Province of Nova Scotia retains ownership of the Facility, however, the Corporation is granted the right to operate and collect tolls for a thirty year period, at which time this right will revert back to the Province.

The Province contributed \$55,000,000 to the project.

- **Operating Agreement**

Agreement dated May 22, 1996 between the Corporation and Atlantic Highways Management Corporation (the Operator) whereby the Operator is required to operate the Facility which includes the toll collection system, toll plaza and the administration building.

Facility operations expenses paid to the Operator during the year totalled \$2,029,617 (2006 - \$2,037,898).

Operator compensation is based on the annual operating budget plus a variable fee, subject to adjustment under certain conditions, equal to 10% of the total annual budget.

Highway 104 Western Alignment Corporation

Notes to the Financial Statements

March 31, 2007

12. Commitments and contractual obligations (continued)

- **Major Maintenance Reserve Fund Agreement**

Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Reserve Account. The maximum annual fee is \$50,000. The agreement with the independent engineer was renewed for a one year term in November 2006.

The estimated deposits required to fund anticipated major maintenance for the next five years are as follows:

2008	\$ 4,642,000
2009	825,000
2010	1,547,500
2011	1,120,000
2012	1,020,000

- **Annual Roadway Maintenance Agreement**

The thirty year agreement between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services is renewable in five year increments and was last renewed March 3, 2006. The annual fee of \$884,000 is adjusted annually for inflation.

During the year, the Corporation incurred management fees of \$40,850 (2006 - \$27,300) from the Province of Nova Scotia.

- **Other**

The Corporation has also entered into various operating lease agreements for equipment and office space. The minimum lease payments for the next four years are as follows:

2008	\$ 26,694
2009	26,694
2010	26,694
2011	17,044

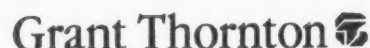
INDUSTRIAL EXPANSION FUND

MARCH 31, 2007

Financial Statements for Industrial Expansion Fund were not available at the time of printing this publication. The website will be updated to include them when they become available.

**Province of Nova Scotia
Insured Prescription Drug
Plan Trust Fund
Financial Statements
March 31, 2007**

Grant Thornton 



Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Minister of Health

We have audited the statement of financial position of the **Province of Nova Scotia Insured Prescription Drug Plan Trust Fund** as at March 31, 2007, and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department of Health's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the **Province of Nova Scotia Insured Prescription Drug Plan Trust Fund** as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
May 4, 2007

Grant Thornton LLP
Chartered Accountants

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**Province of Nova Scotia Insured Prescription Drug Plan
Trust Fund
Statement of Operations**

Year Ended March 31

2007

2006

Revenue

Seniors

Premiums paid by seniors (Note 2)

\$ 17,403,783

\$ 16,975,985

Co-payments to pharmacies

25,582,35624,422,24042,986,13941,398,225

Department of Health

122,875,523117,818,659

Investment income

819,829324,723166,681,491159,541,607

Expenses

Provider claims (Note 2)

166,486,734157,853,394

GIS Rebate Program

194,7571,688,213166,681,491159,541,607

Excess of revenue over expenses

\$ -\$ -

See accompanying notes to the financial statements.

**Province of Nova Scotia Insured Prescription Drug Plan
Trust Fund
Statement of Financial Position**

March 31	2007	2006
Assets		
Current		
Cash	\$ 3,936,363	\$ 5,093,789
Receivables		
Seniors	1,822,689	1,129,071
Publicly funded nursing homes	1,146,851	1,387,502
Investments (Note 2)	<u>10,066,830</u>	<u>3,891,591</u>
	<u>\$ 16,972,733</u>	<u>\$ 11,501,953</u>
Liabilities		
Current		
Payables and accruals	\$ 3,554,741	\$ 3,718,512
Payable to Department of Health (Note 3)	7,699,186	4,741,899
Unearned premiums	<u>5,718,806</u>	<u>3,041,542</u>
	<u>\$ 16,972,733</u>	<u>\$ 11,501,953</u>

Approved on behalf of the Minister

Deputy Minister, Department of Health

Chief Financial Officer, Department of Health

See accompanying notes to the financial statements.

Province of Nova Scotia Insured Prescription Drug Plan Trust Fund Statement of Cash Flows

Year Ended March 31

2007

2006

Increase (decrease) in cash and cash equivalents

Operating		
Excess of revenue over expenses	\$ -	\$ -
Changes in non-cash operating working capital		
Receivables	(452,967)	(194,059)
Payables and accruals	(163,771)	1,210,458
Unearned premiums	<u>2,677,264</u>	<u>976,710</u>
	<u>2,060,526</u>	<u>1,993,109</u>
Financing		
Surplus of advances in excess of expenses from Department of Health	<u>2,957,287</u>	<u>7,269,148</u>
Investing		
Purchases of investments, net	<u>(6,175,239)</u>	<u>(699,911)</u>
Net (decrease) increase in cash and cash equivalents	(1,157,426)	8,562,346
Cash and cash equivalents		
Beginning of year	<u>5,093,789</u>	<u>(3,468,557)</u>
End of year	\$ <u>3,936,363</u>	\$ <u>5,093,789</u>

See accompanying notes to the financial statements.

Province of Nova Scotia Insured Prescription Drug Plan Trust Fund

Notes to the Financial Statements

March 31, 2007

1. Purpose of organization

Seniors' Pharmacare is a voluntary prescription drug insurance plan established, effective April 11, 1995, by Order-in-Council 2000-471. Contributions made by seniors and government of Nova Scotia are placed in the Province of Nova Scotia Insured Prescription Drug Plan Trust Fund (the Fund) and are used to pay Seniors' Pharmacare program costs. Principle features of the Pharmacare program are:

- Participation in the Pharmacare program is optional. Eligible seniors must be 65 years of age and not already have coverage under government programs or primary drug coverage through a contract of insurance.
- Eligible seniors are required to pay a maximum annual premium of \$400 plus a co-payment fee of 33% of prescription costs to a maximum of \$30 for each drug or supply (effective April 1, 2004) to a maximum of \$360 per year. Annual premiums are waived for low-income seniors.
- The Department of Health is responsible for funding program costs net of recoveries from seniors and other income.

2. Summary of significant accounting policies

Premium revenues

Premium revenues are recorded on the accrual basis.

Claim expenses

Claim expenses are recorded on the accrual basis. Claims, submitted by providers, are subject to audit by the program administrators. Any adjustments to claims as a result of these audits are recorded in the year of settlement.

Administration of program

Medavie Blue Cross administers Seniors' Pharmacare on behalf of the Department of Health, on a cost recovery basis. Administration costs for the year are paid by the Province of Nova Scotia and are not reported in these financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, net of indebtedness and short term deposits with original maturities of three months or less.

Investments

Investments consist of government and corporate bonds, and short term investments. All investments are carried at cost which approximates market value.

Investments have a 0% coupon rate and mature on April 13, 2007 and April 27, 2007.

Province of Nova Scotia Insured Prescription Drug Plan Trust Fund

Notes to the Financial Statements

March 31, 2007

2. Summary of significant accounting policies (continued)

Use of estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those reported.

Financial instruments

The Fund's financial instruments consist of cash and cash equivalents, receivables, investments, payables and accruals and payable to Department of Health. Unless otherwise noted, it is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

3. Payable to the Department of Health

This amount consists primarily of excess of funding from the Department of Health at year end as follows:

	<u>2007</u>	<u>2006</u>
(Payable to) receivable from Department of Health, beginning of year	\$ (4,741,899)	\$ 2,527,249
Payments from Department of Health	(125,832,810)	(125,087,807)
Net program expenses	<u>122,875,523</u>	<u>117,818,659</u>
Payable to Department of Health, end of year	\$ <u>(7,699,186)</u>	\$ <u>(4,741,899)</u>

The Izaak Walton Killam Health Centre
Financial Statements
March 31, 2007

Grant Thornton 

Grant Thornton 

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Board of The Izaak Walton Killam Health Centre

We have audited the balance sheet of The Izaak Walton Killam Health Centre as at March 31, 2007 and the statements of operations, fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Health Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
May 18, 2007

Grant Thornton LLP
Chartered Accountants

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The Izaak Walton Killam Health Centre

Statement of Operations

Year Ended March 31	2007	2006
Revenue		
Inpatient, outpatient and clinics	\$ 160,326,000	\$ 141,662,000
Department of Community Services	437,000	448,000
Rentals, recoveries and sales	6,683,000	6,038,000
Mental health and addictions	18,580,000	15,289,000
Grants from IWK Health Centre Foundations	250,000	250,000
	<u>186,276,000</u>	<u>163,687,000</u>
Expenses		
Children's health	50,416,000	48,156,000
Women's, maternal and newborn health	39,199,000	38,401,000
Mental health and addictions	18,521,000	15,988,000
Professional and academic	4,396,000	3,982,000
Operations and support services	63,574,000	49,478,000
Executive offices and administration	6,202,000	5,283,000
Non portable	1,200,000	1,155,000
	<u>183,508,000</u>	<u>162,443,000</u>
Net income from operations	<u>\$ 2,768,000</u>	<u>\$ 1,244,000</u>

See accompanying notes to the financial statements.

March 31

2007

2006

Current

Current

Current		
Cash and cash equivalents	\$ 39,284,000	\$ 28,251,000
Receivables (Note 3)	9,746,000	9,046,000
Receivable from IWK Health Centre Foundations	71,000	76,000
Inventories	1,293,000	1,269,000
Prepays	<u>1,193,000</u>	<u>1,062,000</u>
	51,587,000	39,704,000
Retirement allowance and benefits (Note 9)	13,109,000	12,196,000
Property and equipment (Note 4)	<u>147,969,000</u>	<u>130,909,000</u>
	\$ 212,665,000	\$ 182,809,000

Current

Current

Current		
Payables and accruals (Note 5)	\$ 32,572,000	\$ 23,416,000
Current portion of facilities loan payable (Note 7)	<u>530,000</u>	<u>501,000</u>
	33,102,000	23,917,000
Retirement allowance and benefits (Note 9)	13,109,000	12,196,000
Facilities loan payable (Note 7)	13,942,000	14,472,000
Appropriations and reserves (Note 8)	<u>22,436,000</u>	<u>19,790,000</u>
	82,589,000	70,375,000

Capital Fund

Fund balances (Page 4)	<u>130,076,000</u>	<u>112,434,000</u>
Capital Fund		
	\$ 212,885,000	\$ 182,809,000

Contingency (Note 13)

On behalf of the Board

On behalf of the Board

Wendi Bacon Director

William Director

See accompanying notes to the financial statements.

The Izaak Walton Killam Health Centre

Statement of Fund Balances

Year Ended March 31

2007

2006

Capital Fund

Balance, beginning of year	\$ <u>112,434,000</u>	\$ <u>104,943,000</u>
Funding for capital additions		
Specified donations for equipment and renovations	4,623,000	2,250,000
Transfers from operations	2,768,000	1,244,000
Transfer from appropriations and reserves (Note 8)	<u>18,794,000</u>	<u>12,033,000</u>
	<u>26,185,000</u>	<u>15,527,000</u>
Depreciation	<u>(8,543,000)</u>	<u>(8,036,000)</u>
Balance, end of year	\$ <u>130,076,000</u>	\$ <u>112,434,000</u>

Operating Fund

Balance, beginning of year	\$ -	\$ -
Net income from operations	2,768,000	1,244,000
Transfer to Capital Fund	<u>(2,768,000)</u>	<u>(1,244,000)</u>
Balance, end of year	\$ -	\$ -

See accompanying notes to the financial statements.

The Izaak Walton Killam Health Centre

Statement of Cash Flows

Year Ended March 31

2007

2006

Increase (decrease) in cash and cash equivalents

Operating		
Net income from operations	\$ 2,768,000	\$ 1,244,000
Change in non-cash operating working capital (Note 11)	<u>10,941,000</u>	<u>3,006,000</u>
	<u>13,709,000</u>	<u>4,250,000</u>
Financing		
Principal repayments on facilities loan payable	(501,000)	(473,000)
Specified donations for equipment and renovations	4,623,000	2,250,000
Transfers from appropriations and reserves	<u>18,794,000</u>	<u>12,033,000</u>
	<u>22,916,000</u>	<u>13,810,000</u>
Investing		
Purchase of property and equipment	(25,603,000)	(18,438,000)
Employee advances	<u>11,000</u>	<u>13,000</u>
	<u>(25,592,000)</u>	<u>(15,425,000)</u>
Net increase (decrease) in cash and cash equivalents	11,033,000	(365,000)
Cash and cash equivalents		
Beginning of year	<u>28,251,000</u>	<u>28,616,000</u>
End of year	<u>\$ 39,284,000</u>	<u>\$ 28,251,000</u>

See accompanying notes to the financial statements.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2007

1. Purpose of organization

The IWK Health Centre provides quality care for children, women and families in the three Maritime Provinces and beyond. It is a tertiary care health centre dedicated to family-centred care, education, research and health promotion. The IWK Health Centre offers a broad range of health services to women, children, and their families. The IWK is committed to making a difference in the well being of women, children, youth and families, by bringing together care, research, teaching and advocacy for best results. The IWK is also committed to being global leaders in research and knowledge transfer.

The IWK Health Centre is a charitable organization under the Income Tax Act.

2. Summary of significant accounting policies

Fund accounting

The Health Centre maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activities from capital activities.

The Operating Fund reports the non-capital operating assets, liabilities, revenues and expenses of the Health Centre related to the provision of health care services.

The Capital Fund reports the assets, liabilities, capital funding and depreciation related to the Health Centre's capital assets.

Revenue recognition

The Health Centre follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to the Capital Fund in the period in which the asset is acquired.

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Inventories

Inventories are valued at the lower of cost and replacement cost.

Property and equipment

Property and equipment assets are stated at cost. Amortization is provided on the straight-line basis over the expected useful life of the asset:

Buildings and service equipment	2% to 5%
Major equipment	5% to 20%

Amortization on equipment purchased commences in the year after acquisition. Amortization on capital projects and renovations commences in the year after the asset is ready for use.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2007

2. Summary of significant accounting policies (continued)

Appropriations and reserves

Appropriations and reserves represent the balance of unexpended funds allocated for approved research, capital equipment and special purposes.

Donations

Specified donations transferred from the Foundations are recorded as direct additions either to appropriations and reserves or funds held in trust, depending on the source or specified purpose thereof.

Employee benefits

The Health Centre accrues the estimated liability for its retirement plan, which is payable to its employees in subsequent years in accordance with its policy. The retirement allowance is actuarially determined using the projected benefit method prorated on service.

Financial instruments

The Health Centre's financial instruments consist of cash, receivables, payables and accruals, facilities loan payable, and deferred revenue. Unless otherwise noted, it is management's opinion that the Health Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value unless otherwise noted.

Future changes in accounting policies

On April 1, 2007, the IWK Health Centre is required to and will adopt CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*.

Under the new standards, all financial assets must be classified as held-to-maturity, loans and receivables, held-for-trading or available-for-sale and all financial liabilities must be classified as held-for-trading and other. Financial instruments classified as held-for-trading will be measured at fair value with changes in fair value recognized in net income. Financial assets classified as held-to-maturity or as loans and receivables and financial liabilities not classified as held-for-trading will be measured at amortized cost. Available-for-sale financial assets will be measured at fair value with changes in fair value recognized in Fund balances.

The classification and financial reporting impact of adopting these new standards has not yet been finalized.

3. Receivables	2007	2006
Patients and other accounts receivable, net of allowance for doubtful accounts of \$190,000 (2006 - \$216,000)	\$ 7,272,000	\$ 5,293,000
Nova Scotia Department of Health year end adjustments	<u>2,474,000</u>	<u>3,753,000</u>
	<u>\$ 9,746,000</u>	<u>\$ 9,046,000</u>

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2007

3. Receivables (continued)

Year end adjustments are comprised of:

Accumulated deficit 1998/1999	\$ 908,000
Contract increases	730,000
Benefit rate increases	616,000
NS nursing strategy	120,000
On call funding	49,000
Energy funding	35,000
SAP project	16,000
	<u>\$ 2,474,000</u>

Of the total receivable from the Nova Scotia Department of Health, as of April 30, 2007, \$784,000 has been received.

4. Property and equipment

			<u>2007</u>	<u>2006</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>- Net Book Value</u>	<u>Net Book Value</u>
Land and land improvements	\$ 4,285,000	\$ -	\$ 4,285,000	\$ 4,598,000
Building and service equipment	162,119,000	36,663,000	125,456,000	109,500,000
Major equipment	29,250,000	11,125,000	18,125,000	16,697,000
Group home	<u>206,000</u>	<u>103,000</u>	<u>103,000</u>	<u>114,000</u>
	<u>\$ 195,860,000</u>	<u>\$ 47,891,000</u>	<u>\$ 147,969,000</u>	<u>\$ 130,909,000</u>

The Capital Fund has non-interest bearing loans outstanding in the amount of \$3,477,000 (2006 - \$4,034,000) to the Operating Fund for the purchase of property and equipment. Repayment of these funds will be made through future funding received for capital additions.

5. Payables and accruals

	<u>2007</u>	<u>2006</u>
Trade payables	\$ 14,780,000	\$ 7,912,000
Deferred revenue	1,183,000	1,052,000
Accrued salaries and benefits	11,188,000	8,952,000
Department of Health payables	576,000	100,000
Funds held on behalf of others	<u>4,845,000</u>	<u>5,400,000</u>
	<u>\$ 32,572,000</u>	<u>\$ 23,416,000</u>

The Izaak Walton Killam Health Centre Notes to the Financial Statements

March 31, 2007

6. Credit facility

The Health Centre has been approved for a line of credit of \$2,000,000. At year end, no amount has been advanced on the line of credit from the Royal Bank (2006 - \$Nil). Any outstanding amount is repayable on demand and bears interest at prime plus ¾%.

7. Facilities loan payable	2007	2006
Nova Scotia Department of Finance loan repayable in equal quarterly instalments of \$338,133 at an interest rate of 5.76% per annum calculated semi-annually. First instalment paid on March 1, 2004, with the final instalment due December 1, 2023.	\$ 14,472,000	\$ 14,973,000
Less principal amounts payable within one year	(530,000)	(501,000)
	<u>\$ 13,942,000</u>	<u>\$ 14,472,000</u>

Principal amounts repayable within the next 5 years are as follows:

2008	\$ 530,000
2009	561,000
2010	595,000
2011	630,000
2012	667,000

The fair value of the facilities loan payable is not determinable as there are no comparable financial instruments available on the open market.

8. Appropriations and reserves	2007	2006
The following is a summary of the amounts in appropriations and reserves:		
Capital		
Equipment	\$ 987,000	\$ 1,111,000
Pediatric site redevelopment	17,895,000	12,730,000
Capital campaign construction	2,680,000	2,556,000
Capital campaign undecided	<u>84,000</u>	<u>84,000</u>
	21,646,000	16,481,000
Board fellowship	161,000	336,000
Neonatal fellowship	331,000	185,000
Research funds	<u>298,000</u>	<u>2,788,000</u>
	<u>\$ 22,436,000</u>	<u>\$ 19,790,000</u>

The Izaak Walton Killam Health Centre Notes to the Financial Statements

March 31, 2007

8. Appropriations and reserves (continued)

The following is a summary of the continuity of appropriations and reserves:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ <u>19,790,000</u>	\$ <u>17,095,000</u>
Grants from IWK Health Centre Foundations	3,403,000	2,806,000
Department of Health funding	18,558,000	11,111,000
Research funding	8,780,000	7,543,000
Capital campaign fund	132,000	353,000
Other funding	<u>2,646,000</u>	<u>1,812,000</u>
	<u>33,519,000</u>	<u>23,625,000</u>
Transfer to capital fund	(18,794,000)	(12,033,000)
Disbursements		
Research	(11,271,000)	(8,370,000)
Other	<u>(808,000)</u>	<u>(527,000)</u>
	<u>(30,873,000)</u>	<u>(20,930,000)</u>
Balance, end of year	\$ <u>22,436,000</u>	\$ <u>19,790,000</u>

9. Retirement allowance and benefits

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Department of Finance for the Health Centre. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 13 years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable balance is recorded.

The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, agencies and boards. The last actuarial valuation was conducted as at December 31, 2005.

During the current year, the provisions of the Plan were amended as a result of the new collective agreement signed with the CAW. In addition, effective April 1, 2005 members of the NSGEU employed by the Health Centre are entitled to one week's salary per year of service, to a maximum of 26 weeks.

The Izaak Walton Killam Health Centre Notes to the Financial Statements

March 31, 2007

9. Retirement allowance and benefits (continued)

Information about the retirement allowance is as follows:

	<u>2007</u>	<u>2006</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 12,196,000	\$ 9,968,000
Current service cost	829,000	789,000
Plan amendment	261,000	932,000
Interest cost	685,000	689,000
Amortization of experience gains/losses	26,000	56,000
Other adjustments	-	112,000
Estimated benefits paid	<u>(888,000)</u>	<u>(350,000)</u>
Balance, end of year	\$ <u>13,109,000</u>	\$ <u>12,196,000</u>
Funded status – plan deficit	\$ (12,386,000)	\$ (12,490,000)
Unamortized net actuarial (gain) loss	<u>(723,000)</u>	<u>294,000</u>
Accrued benefit liability recognized	\$ <u>(13,109,000)</u>	\$ <u>(12,196,000)</u>

The Health Centre's net expense for the retirement allowance is as follows:

Retirement allowance	\$ <u>1,801,000</u>	\$ <u>2,577,000</u>
----------------------	---------------------	---------------------

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2007:

Discount rate	5.70%
Rate of compensation increase	2.65-5.15%
Termination rates	1.2-20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

A retirement allowance is paid in respect of employees who die prior to retirement and, therefore, the mortality rates in accordance with the Group Annuity Mortality Table for 1994 (projected to 2015) were utilized.

10. Pension plan

The Health Centre participates in a multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2005 and indicates a funding surplus. The Health Centre's pension expense for the year amounted to \$7,218,000 (2006 - \$6,224,000).

The Izaak Walton Killam Health Centre Notes to the Financial Statements

March 31, 2007

11. Supplemental cash flow information	2007	2006
Change in non-cash operating working capital:		
Receivables	\$ (711,000)	\$ 1,943,000
Receivable from IWK Health Centre Foundations	5,000	(76,000)
Inventories	(24,000)	(162,000)
Prepays	(131,000)	(165,000)
Payables and accruals	9,156,000	4,111,000
Payable to IWK Health Centre Foundations	-	(60,000)
Deferred revenue	-	(5,280,000)
Appropriations and reserves, net	<u>2,646,000</u>	<u>2,695,000</u>
	<u>\$ 10,941,000</u>	<u>\$ 3,006,000</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	<u>\$ 39,284,000</u>	<u>\$ 28,251,000</u>

Included in cash and cash equivalents is \$52,000 (2006 - \$529,000) in cash which is restricted for use towards the construction of a parkade and research facility.

12. Related party transactions

The Health Centre relies upon the IWK Health Centre Foundations to raise monies to assist them with the funding of research, capital renovations, capital equipment and specific programs not funded by the Department of Health. Funding received was allocated as follows:

	2007	2006
Capital equipment	\$ 1,350,000	\$ 1,150,000
Capital renovations	300,000	-
Research	1,200,000	1,200,000
Fellowships	400,000	400,000
Operating programs	<u>250,000</u>	<u>250,000</u>
Total grant from Foundations	3,500,000	3,000,000
Specified and restricted fund allocations	<u>5,010,000</u>	<u>4,693,000</u>
Total funds received	<u>\$ 8,510,000</u>	<u>\$ 7,693,000</u>

13. Contingency

The Health Centre has been named as a defendant in legal actions relating to malpractice. Counsel is unable to form an opinion regarding the merit of these claims, and therefore it is not possible to estimate a payment amount, if any. However, it is expected that any payment that may arise from these claims would be funded entirely by the liability insurance carrier.

The Izaak Walton Killam Health Centre Notes to the Financial Statements

March 31, 2007

14. Comparative figures

Certain of the 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2007.

In addition, certain of the comparative figures have been reclassified to reflect a change in the use of a portion of Department of Health funding related to the Pediatric Site Redevelopment Project. The impact of this reclassification on the Capital Fund is to decrease the opening balance by \$279,000, the transfer of net income from operations by \$764,000 and the transfer from appropriations and reserves by \$948,000, resulting in a total decrease of \$1,991,000 with a corresponding increase in the balance of appropriations and reserves of \$1,991,000. The impact on the Operating Fund is a decrease in net income from operations of \$764,000 offset by a corresponding decrease in transfer to Capital Fund of \$764,000.

Law Reform Commission Of Nova Scotia
Balance Sheet As at 03/31/2007

ASSETS

CURRENT ASSETS

Petty Cash		25.00
Bank Operating Account	23,288.71	
Cashable GICS	0.00	
T-Bill Account	0.00	
Total Cash		23,288.71
HST Receivable		4,572.47
GST Receivable		4.71
TOTAL CURRENT ASSETS		27,870.89

FIXED ASSETS

Computer Equipment	19,059.16	
Accum Computer Equipment	(19,059.16)	
Net Office Equipment		0.00
TOTAL FIXED ASSETS		0.00

TOTAL ASSETS		27,870.89
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LIABILITIES

CURRENT LIABILITIES

Vacation Payable		(1,965.06)
UIC Payable	0.00	
CPP Payable	0.00	
Income Tax Payable	0.00	
Receiver General Payable		0.00
Accrued Income		0.00
TOTAL CURRENT LIABILITIES		(1,965.06)

TOTAL LIABILITIES		(1,965.06)
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EQUITY

SURPLUS

Surplus Beginning Of Year	5,242.58	
Surplus Current Year	24,593.27	
ACCUMULATED SURPLUS	29,835.95	

TOTAL EQUITY	29,835.95	
---------------------	------------------	--

LIABILITIES AND EQUITY	27,870.89	
-------------------------------	------------------	--

Explanatory Note:

** \$24,250 in funding has been accrued to provide for project funding in 2007-08.

Expenditures were budgeted, requested and received in Fiscal Year ending March 31, 2007; projects on-going. The year began with a surplus of \$5,242, which at year end, after factoring in accrued project funding of \$24,250, stands at \$5,586.

Law Reform Commission Of Nova Scotia
Income Statement 04/01/2006 to 03/31/2007

REVENUE

OPERATING INCOME

Dept. of Justice	164,000.00
NS Law Foundation Contrib.	140,308.00
Interest Income	3.88
PYS (DO NOT USE)	0.00
TOTAL CONTRIBUTIONS	304,311.88

TOTAL REVENUE	304,311.88
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EXPENSE

ADMINISTRATIVE EXPENSES

Wages	190,580.72	
EI Expense	2,888.82	
CPP Expense	5,340.35	
Group Insurance Expense	7,527.31	
TOTAL PERSONNEL RELATED		206,335.00
Advertising		0.00
Non Legal Consultants Fees		0.00
Commissioners Fees & Expenses		214.70
Electrical Expense		1,093.01
Meeting - Rules	383.85	
Meetings - Other	328.70	
MEETINGS TOTAL		712.55
Library		3,897.89
Accounting Fees		0.00
Membership Dues		4,200.40
Professional Fees		0.00
Computer Software/Supplies/Repairs		1,595.45
Internet		1,247.45
Staff Expenses		4,054.88
Rent	28,154.80	
Office Equipment Rental	3,184.29	
Insurance	1,231.00	
TOTAL PREMISES RELATED		30,569.89
Office Supplies	1,390.64	
Photocopy/Printing	3,889.57	
Postage & Courier	2,535.35	
Telephone Expense	3,237.08	
Travel/Conference/Workshop	7,314.26	
Office Equip Maintenance	79.95	
TOTAL OFFICE RELATED		18,446.83
Bank Charges		259.16
HST Paid On Purchases		4,571.52
GST Paid on Purchases		4.88
HST expense		0.00
Contract Research		2,715.00

Project - Rules	0.00	
Project - Small Claims Court	0.00	
Project - Environment	0.00	
TOTAL PROJECT RELATED		0.00
TOTAL ADMINISTRATION		279,718.41
 TOTAL EXPENSE		 279,718.41
 NET INCOME		 <u>24,593.27</u> =====

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
FINANCIAL STATEMENTS
MARCH 31, 2007**

**Office of the Auditor General**

1888 Brunswick Street, Suite #302, Halifax, Nova Scotia B3J 3J8 • Telephone 902 424-5907 • Fax 902 424-4350 • www.gov.ns.ca/audg

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia

I have audited the statement of net assets available for benefits and accrued pension benefit obligations of the accounts established under the Members' Retiring Allowances Act as at March 31, 2007 and the statements of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefit obligations of the accounts established under the Members' Retiring Allowances Act as at March 31, 2007 and changes in net assets available for benefits for the period then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, reading 'JR Lapointe'.

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
May 10, 2007

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AND ACCRUED PENSION BENEFIT OBLIGATIONS
AS AT MARCH 31, 2007**

	2007	2006
NET ASSETS AVAILABLE FOR BENEFITS		
Receivable from the Consolidated Fund (Note 3)		
Members' Retiring Allowance Account	\$ 22,019,427	\$ 20,195,250
Less: Accounts payable and accruals	<u>1,627</u>	<u>4,250</u>
	<u>22,017,800</u>	<u>20,191,000</u>
 Members' Supplementary Retiring Allowance Account	 52,054,773	 48,448,250
Less: Accounts payable and accruals	<u>3,873</u>	<u>10,250</u>
	<u>52,050,900</u>	<u>48,438,000</u>
	<u>\$ 74,068,700</u>	<u>\$ 68,629,000</u>
 ACCRUED PENSION BENEFIT OBLIGATIONS		
Members' Retiring Allowance Account (Note 4)	\$ 22,017,800	\$ 20,191,000
Members' Supplementary Retiring Allowance Account (Note 4)	<u>52,050,900</u>	<u>48,438,000</u>
	<u>\$ 74,068,700</u>	<u>\$ 68,629,000</u>

Approved by:

Minister of Finance

(See accompanying notes to financial statements)

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
IN THE MEMBERS' RETIRING ALLOWANCE ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2007**

	2007	2006
Increase in Assets		
Interest	\$ 1,724,540	\$ 1,431,571
Contributions (Note 5)		
Members' – matched	494,984	301,483
Government – matched	494,984	301,483
Members' – unmatched	0	0
Government – unmatched	<u>278,316</u>	<u>190,159</u>
Total increase in assets	<u>2,992,824</u>	<u>2,224,696</u>
Decrease in Assets		
Allowances (pensions)	938,836	875,320
Refunds – contributions and interest	- 46,884	17,963
Professional services	<u>6,475</u>	<u>6,278</u>
Total decrease in assets	<u>992,195</u>	<u>899,561</u>
Increase in Net Assets before Actuarial Adjustment	2,000,629	1,325,135
Actuarial adjustment	<u>(173,829)</u>	<u>1,828,454</u>
Increase (decrease) in Net Assets after Actuarial Adjustment	1,826,800	3,153,589
Net Assets Available for Benefits at Beginning of Year	<u>20,191,000</u>	<u>17,037,411</u>
Net Assets Available for Benefits at End of Year	<u>\$ 22,017,800</u>	<u>\$ 20,191,000</u>

(See accompanying notes to financial statements)

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
IN THE MEMBERS' SUPPLEMENTARY RETIRING ALLOWANCE ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2007**

	2007	2006
Increase in Assets		
Interest	\$ 4,105,711	\$ 3,901,855
Contributions (Note 5)		
Members' – matched	0	64,207
Government – matched	0	64,207
Members' – unmatched	0	0
Government – unmatched	<u>2,244,500</u>	<u>1,711,429</u>
Total increase in assets	<u>6,350,211</u>	<u>5,741,698</u>
Decrease in Assets		
Allowances (pensions)	2,564,285	2,390,799
Refunds – contributions and interest	16,504	1,978
Professional services	<u>15,415</u>	<u>15,140</u>
Total decrease in assets	<u>2,596,204</u>	<u>2,407,917</u>
Increase in Net Assets before Actuarial Adjustment	3,754,007	3,333,781
Actuarial adjustment	<u>(141,107)</u>	<u>(1,332,530)</u>
Increase in Net Assets after Actuarial Adjustment	3,612,900	2,001,251
Net Assets Available for Benefits at Beginning of Year	<u>48,438,000</u>	<u>46,436,749</u>
Net Assets Available for Benefits at End of Year	<u>\$ 52,050,900</u>	<u>\$ 48,438,000</u>

(See accompanying notes to financial statements)

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

1. Authority and Description of Plan

Members of the House of Assembly are entitled to receive retiring allowances pursuant to provisions of the Members' Retiring Allowances Act. The Act, as amended November 25, 1993, establishes in the Consolidated Fund of the Province a Members' Retiring Allowance Account (a registered pension plan under the Income Tax Act) and a Members' Supplementary Retiring Allowance Account to which member and government contributions and interest are credited, and payments to pensioners and terminating members are charged. If at any time the balances of the accounts are insufficient to make required payments, an amount will be credited to the accounts from the Consolidated Fund.

Members contribute 10% of indemnities and salaries to the Members' Retiring Allowance Account (and, until January 1, 2006, 10% of expense allowances to the Members' Supplementary Retiring Allowance Account). The Province contributes an equal amount. The Province makes additional contributions to the accounts equal to the current service cost (annual cost of benefits accrued) less members' contributions and the Province's matching contributions. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities and expense allowances for the last three years, and average salaries for the best three years, at the rate of 5% for each year for which contributions were made. As of November 25, 1993 there is no longer a minimum retiring allowance.

There are 52 Members of the House of Assembly. At year end, all 52 were contributors to the accounts. There were also 110 retiring allowances in pay at March 31, 2007 to former Members of the House of Assembly, surviving spouses, former spouses and dependent children.

A member qualifies for benefits on ceasing to be a member after having served five years during two or more General Assemblies, and having attained age 55 (increased from age 50 as of November 25, 1993). Former members who qualify for a retiring allowance may make application for an actuarially reduced allowance as early as 45 years of age (increased from age 40 as of November 25, 1993). Retiring allowances are increased annually on January 1 by the lesser of the increase in the Consumer Price Index and 6%.

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A statement of cash flow is not provided since disclosure in each of the statements of changes in net assets available for benefits is considered adequate.

(b) Contributions

Contributions to the accounts are recorded when received and allowances and refunds are recorded in the accounts when paid. An amount representing interest on the balances in the accounts is calculated and credited to the accounts annually at a rate of 8.5% according to the regulations of the Members' Retiring Allowances Act.

(c) Benefits

Benefit payments to retired members and commuted value payments are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

(d) Use of Estimates

In preparing these financial statements in conformity with generally accepted accounting principles, management must make certain estimates and assumptions that primarily affect the reported values of assets and liabilities, related income and expense and related disclosures. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from those estimates.

3. Receivable from the Consolidated Fund

The pension plan established under the Members' Retiring Allowances Act is an unfunded arrangement. No separate investment fund is maintained, and all obligations are paid from the Consolidated Fund. Therefore, the only asset of the pension plan is the receivable from the Consolidated Fund.

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

4. Accrued Pension Benefit Obligations

Actuarial valuations of benefit obligations under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of pension benefit obligations calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Morneau Sobeco, performed a valuation as at September 30, 2006 and issued their report in January 2007. An extrapolation of the September 30, 2006 valuation was performed as at March 31, 2007. The results of the valuation and related extrapolation are summarised as follows:

	Extrapolation March 31, 2007	Valuation September 30, 2006
Members' Retiring Allowance Account	\$ 22,017,800	\$ 21,258,000
Members' Supplementary Retiring Allowance Account	\$ 52,050,900	\$ 50,761,000

Actuarial adjustments were recorded to adjust the asset accounts to reflect the revised estimates of these actuarial values.

	2007	2006
Members' Retiring Allowance Account	\$ (173,829)	\$ 1,828,454
Members' Supplementary Retiring Allowance Account	\$ (141,107)	\$ (1,332,530)

Reconciliation of changes in accrued pension benefit obligations for the Members' Retiring Allowance Account:

	2007	2006
Accrued pension benefit obligations at beginning of year	\$ 20,191,000	\$ 17,037,411
Impact of changes in assumptions	(179,200)	221,694
Current service cost	1,226,800	767,573
Benefits paid	(952,900)	(893,283)
Interest on average accrued pension benefit obligations	1,158,700	1,075,548
Impact of change in compensation	-	2,166,460
Net impact of other experience gains and losses	573,400	(184,403)
Accrued pension benefit obligations at end of year	<u>\$ 22,017,800</u>	<u>\$ 20,191,000</u>

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

4. Accrued Pension Benefit Obligations (Continued)

Reconciliation of changes in accrued pension benefit obligations for the Members' Supplementary Retiring Allowance Account:

	2007	2006
Accrued pension benefit obligations at beginning of year	\$ 48,438,000	\$ 46,436,749
Impact of changes in assumptions	(426,800)	604,242
Current service cost	2,244,500	1,844,677
Benefits paid	(2,602,800)	(2,392,777)
Interest on average accrued pension benefit obligations	2,750,800	2,740,980
Impact of change in compensation	-	(73,460)
Net impact of other experience gains and losses	1,647,200	(722,411)
Accrued pension benefit obligations at end of year	<u>\$ 52,050,900</u>	<u>\$ 48,438,000</u>

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected three-year average indemnity, expense allowance (if applicable) and executive council salary (where applicable) at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The major economic and demographic assumptions used in both the valuation and the extrapolation are as follows:

	2007	2006
Investment earnings		
- pre-retirement rate	5.70%	5.95%
- post-retirement rate	3.12%	3.11%
(Net of assumed pensioner cost-of-living increases per annum)		
Salary escalation	2.50%	2.75%
Cost of living	2.50%	2.75%
Retirement age	<p>Latest of:</p> <p>(a) age 55</p> <p>(b) 4 years since last election</p> <p>(c) earliest of:</p> <p>i) 8 years since last election</p> <p>ii) 12 years of service</p> <p>iii) age 65 with 5 years of service</p>	<p>i) Age 55 if current age < 52.25</p> <p>ii) Current age + 3.25 if 52.25 < current age < 59.25</p> <p>iii) Later of current age + .25 and 5 years of service if current age > 59.25</p>
Mortality	UP-94 projected to 2015 using scale 'AA'	1994 Group Annuitant Mortality Table projected to 2000

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007**

5. Contributions

Effective January 1, 2006, a change was made to the compensation structure for members. Pursuant to an amendment to the House of Assembly Act (under Bill No. 252, which received Royal Assent on December 8, 2005), expense allowances were eliminated. At the same time, the annual Indemnity was increased by the amount of the former expense allowance, with a further adjustment made to reflect the fact that this portion of a member's compensation will now be taxable. (Previously, it was not taxable.) The amount of the increase in the indemnity was determined such that after the deduction of income tax, the increase would be approximately equal to the amount of the former expense allowance.

Financial Statements of

**NOVA SCOTIA BUSINESS
INCORPORATED**

Year ended March 31, 2007



KPMG LLP
Chartered Accountants
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1959 Upper Water Street
Halifax NS B3J 3N2
Canada

Telephone (902) 492-6000
Fax (902) 429 1307
Internet www.kpmg.ca

AUDITORS' REPORT

To the Directors of Nova Scotia Business Incorporated

We have audited the balance sheet of Nova Scotia Business Incorporated as at March 31, 2007 and the statements of revenue, expenditures and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Halifax, Canada

May 25, 2007

NOVA SCOTIA BUSINESS INCORPORATED

Balance Sheet

(in thousands of dollars)

March 31, 2007, with comparative figures for 2006

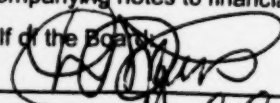
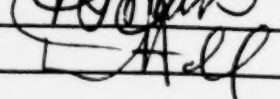
	2007	2006
Assets		
Current assets:		
Cash	\$ 23,879	\$ 32,949
Accrued interest receivable	1,069	830
Due from the Province of Nova Scotia	7,766	8,356
Current portion of loans receivable (note 3)	6,129	6,883
Other receivables	633	446
	<u>39,476</u>	<u>49,464</u>
Nova Scotia Business Fund assets:		
Loans receivable (note 3 and 7)	93,730	93,987
Equity investments (note 4 and 7)	13,219	12,233
Industrial parks and malls (note 5)	3,394	3,871
Other assets (note 6 and 7)	-	100
	<u>110,343</u>	<u>110,191</u>
	<u>\$ 149,819</u>	<u>\$ 159,655</u>

Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,733	\$ 14,681
Provision for payment of guarantees (note 7)	760	650
Principal due within one year to the Province of Nova Scotia (note 8)	9,413	16,203
	<u>23,906</u>	<u>31,534</u>
Long-term debt:		
Due to the Province of Nova Scotia (note 8)	99,513	103,366
Shareholder's equity:		
Share capital and retained earnings (note 9)	26,400	24,755
Commitments (note 10)		
Contingencies (note 11)		
	<u>\$ 149,819</u>	<u>\$ 159,655</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

NOVA SCOTIA BUSINESS INCORPORATED

Statement of Revenue, Expenditures and Retained Earnings
(in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Provincial grants:		
Operating grant	\$ 10,231	\$ 8,981
Strategic investment grant	10,364	12,273
Valuation allowance grant	1,600	1,600
Capital grant	1,248	-
Interest on loans receivable	8,635	11,206
Other investment income	351	324
Gain (loss) on sale of land/property	(1,072)	5,793
Miscellaneous	1,318	758
	<u>32,675</u>	<u>40,935</u>
Expenses:		
Schedule of operating expenses	10,279	8,925
Strategic investments	10,364	12,273
Provision for credit losses and payment of guarantees	1,917	1,284
Schedule of Nova Scotia Business Fund expenses	8,272	10,129
	<u>30,832</u>	<u>32,611</u>
Excess of revenue over expenditures	1,843	8,324
Retained earnings, beginning of year	24,755	16,431
Less: dividend paid to shareholder	(198)	-
Retained earnings, end of year	<u>\$ 26,400</u>	<u>\$ 24,755</u>

See accompanying notes to financial statements.

NOVA SCOTIA BUSINESS INCORPORATED

Statement of Cash Flows (in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 1,843	\$ 8,324
Items not involving cash:		
Amortization	188	201
Provision for credit losses and payments of guarantees	1,917	1,285
Capitalized interest on loans receivable	(481)	(4,016)
Loss (gain) on sale of land/property	1,072	(5,793)
Change in non-cash operating working capital:		
Increase in accrued interest receivable	(239)	(309)
Decrease in due from the Province of Nova Scotia	590	3,220
Decrease (increase) in other receivables	(187)	126
Increase (decrease) in accounts payable and accrued liabilities	(948)	994
	3,755	4,032
Financing:		
Dividend	(198)	-
New borrowings from the Province of Nova Scotia	10,646	11,466
Principal repayments to the Province of Nova Scotia	(21,289)	(8,443)
	(10,841)	3,023
Investments:		
Contract disbursements	(1,735)	-
Loan advances	(11,623)	(8,400)
Principal received on loans	13,248	15,216
Redemption of shares	69	111
Equity investments	(3,000)	(4,275)
Convertible debenture repayment	-	2,000
Proceeds from disposal of Industrial Parks	2,211	6,245
Capital additions	(1,259)	(131)
Other	105	10
	(1,984)	10,776
Increase (decrease) in cash position	(9,070)	17,831
Cash, beginning of year	32,949	15,118
Cash, end of year	\$ 23,879	\$ 32,949

See accompanying notes to financial statements.

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements

(in thousands of dollars)

Year ended March 31, 2007

Nova Scotia Business Incorporated (the "Corporation") is a corporation, wholly-owned by the Province of Nova Scotia with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the Acts of Nova Scotia, 2000. The Corporation's mission is to deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia.

1. Summary of significant accounting policies:

(a) Loans receivable:

Loans receivable are recorded at cost less a general allowance for credit losses equal to 5% of cost. In addition, a specific allowance is recorded if management considers it necessary to reduce the loan to its estimated recoverable amount.

(b) Equity investments:

Equity investments are initially recorded at cost less a general allowance for credit losses equal to 10% of cost. This allowance is immediately recorded to reflect the increased risk associated with equity investments. The investments are reviewed annually for potential declines in value. If a decline is considered to be other than temporary, a specific allowance is recorded.

(c) Industrial parks and malls:

The industrial parks and malls consist of properties held for sale and improved properties consisting of land and land improvements, buildings, wharves and utilities. Land is recorded at the lower of cost and estimated net realizable value. The remaining assets are recorded at cost and amortized on a declining balance basis over their estimated useful lives as follows:

Asset	Basis	Rate
Land improvements	Declining balance	5%
Industrial malls and other buildings	Declining balance	5%
Wharves	Declining balance	5%
Utilities	Declining balance	4 - 15%

The Department of Transportation and Public Works has operational responsibility for the industrial parks and malls. Certain revenues and expenses associated with the operation of the industrial parks and malls are accounted for by the Department of Transportation and Public Works and are not reflected in these financial statements.

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2007

1. Summary of significant accounting policies (continued):

(d) Other assets:

Other assets consist of property acquired through foreclosure. Other assets are recorded at cost less a general allowance for credit losses equal to 5% of cost. In addition, a specific allowance is recorded if management considers it necessary to reduce the asset to its estimated recoverable amount.

(e) Revenue recognition:

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears. In the event a loan is no longer considered to be impaired, interest revenue is recognized in the year of recovery.

(f) Allowance for credit losses and provision for payment of guarantees:

As financing is advanced, the Corporation immediately records a general allowance equal to 5-10% of the amount disbursed. In addition, the Corporation provides for possible credit losses on an item-by-item basis by examining such factors as the client's financial condition and the fair value of the underlying security.

The provision for credit losses is partially offset by funding from the Province of Nova Scotia in the form of a Valuation Allowance Grant.

(g) Employee future benefits:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of twenty-six years. Management recognizes compensation expense on an accrual basis. The public service award liability for the period prior to NSBI's inception, is recorded on the financial statements of the Province of Nova Scotia.

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2007

1. Summary of significant accounting policies (continued):

(h) Use of estimates:

- The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Fair value of financial instruments:

The carrying value of accrued interest receivable, due from the Province of Nova Scotia, other receivables, and accounts payable and accrued liabilities approximate their fair value because of their short-term to maturity.

The fair values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets represent investments and guarantees in privately held companies, as well as property acquired through foreclosure. Due to the limited amount of comparable market information available, it was not practical to determine the fair value of these assets. Thus, these assets are carried on the financial statements at cost.

The amount due to the Province of Nova Scotia is comprised of a series of separate notes, the largest of which has no set terms of repayment. Principal is repaid to the Province as it is collected on the loans receivable financed by this note. Due to the volume of accounts financed by the notes and the uncertainty with respect to timing of future cash flows, it is not practical to determine the fair value of the amount due to the Province of Nova Scotia. Thus, these notes are carried on the financial statements at cost.

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2007

3. Loans receivable:

	2007	2006
(a) Principal due:		
Performing loans	\$ 121,712	\$ 120,460
Impaired loans	17,147	23,415
	138,859	143,875
Allowance for credit losses (note 7)	39,000	43,005
	99,859	100,870
Less current portion	6,129	6,883
	\$ 93,730	\$ 93,987

Included in the above loans receivable are loans with concessionary terms which have principal amounts outstanding of \$327 (2006 - \$461) and concessionary allowance of \$51 (2006 - \$88). The concessionary terms consist of interest free financing.

The concessionary allowance is calculated as the difference between the financing advances and the net present value of the anticipated future repayments at an interest rate similar to the usual established terms of the Corporation.

(b) Principal payments receivable in each of the next five years are as follows:

2008	\$ 6,129
2009	4,108
2010	7,108
2011	6,514
2012	6,350

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2007

4. Equity investments:

	2007	2006
Common shares	\$ 5,639	\$ 4,641
Preferred shares	11,520	11,588
Convertible debentures	8,125	6,125
	25,284	22,354
Allowance for credit losses (note 7)	12,065	10,121
	\$ 13,219	\$ 12,233

5. Industrial parks and malls:

	2007	2006
	Net	Net
	book	book
	value	value
Land	\$ 225	\$ 225
Land improvements	1,167	879
Industrial malls and other buildings	3,702	1,729
Wharves	1,550	536
Utilities	428	502
	809	
	399	
	410	
	\$ 7,414	\$ 4,020
	\$ 3,394	\$ 3,871

6. Other assets:

	2007	2006
Property acquired through foreclosure, at cost	\$ 822	\$ 927
Less allowance for losses (note 7)	822	827
	\$ -	\$ 100

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements

(in thousands of dollars)

Year ended March 31, 2007

7. Allowance for credit losses and provision for payment of guarantees:

	Gross balance outstanding		Specific allowance		General allowance		Total allowance		2007 Net balance outstanding
Loans receivable (note 3)	\$	138,859	\$	34,280	\$	4,721	\$	39,000	\$ 99,859
Equity investments (note 4)		25,284		10,694		1,371		12,065	13,219
Guarantees (note 11)		4,004		400		360		760	3,244
Other assets (note 6)		822		822		-		822	-
	\$	168,969	\$	46,196	\$	6,452	\$	52,647	\$ 116,322

	Gross balance outstanding		Specific allowance		General allowance		Total allowance		2006 Net balance outstanding
Loans receivable (note 3)	\$	143,875	\$	38,332	\$	4,673	\$	43,005	\$ 100,870
Equity investments (note 4)		22,354		8,915		1,206		10,121	12,233
Guarantees (note 11)		2,754		650		-		650	2,104
Other assets (note 6)		927		822		5		827	100
	\$	169,910	\$	48,719	\$	5,884	\$	54,603	\$ 115,307

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2007

8. Due to Province of Nova Scotia:

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

			2007	2006
	Year of maturity	Weighted average interest rate	Principal outstanding	Principal outstanding
Note payable 2002-01	-	-	\$ 45,457	\$ 63,767
Note payable 2002-02	2022	5.31% - 6.75%	37,836	38,931
Note payable 2003-01	2008	4.85%	2,372	2,533
Note payable 2003-02	2008	4.53%	104	275
Note payable 2003-03	2012	5.02%	220	271
Note payable 2003-04	2014	5.35%	831	944
Note payable 2003-05	2011	5.44%	938	1,180
Note payable 2004-01	2017	4.64%	2,899	3,330
Note payable 2004-02	2015	3.41% - 4.55%	5,301	5,445
Note payable 2005-01	2011	4.23%	1,613	1,795
Note payable 2005-02	2014	3.82%	907	1,098
Note payable 2006-01	2027	5.09%	1,484	-
Note payable 2006-02	2027	4.98%	1,888	-
Note payable 2006-03	2027	4.86%	3,066	-
Note payable 2006-04	2027	4.94%	2,115	-
Note payable 2007-01	2027	5.11%	940	-
Note payable 2007-02	2027	4.89%	955	-
			108,926	119,569
Less principal due within one year			9,413	16,203
			\$ 99,513	\$ 103,366

The principal for note 2002-01 is repayable to the Province when the principal is collected from the loans that are funded by this note. In addition, 80% of the interest received or capitalized on the underlying loans is repayable to the Province.

The remaining notes are repayable in quarterly instalments of principal and interest based on the maturity dates and rates set out above.

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2007

8. Due to Province of Nova Scotia (continued):

(b) Principal payments due in each of the next five years are as follows:

2008	\$	9,413
2009		5,124
2010		7,821
2011		8,043
2012		6,563

9. Share capital:

The Corporation is authorized to issue 100 Class A common shares with a par value of \$1 each. At year-end, 100 common shares have been issued to the Province of Nova Scotia.

10. Commitments:

- (a) The Corporation has approved financing of \$9,715 (2006 - \$1,563) that is undisbursed at year-end.
- (b) The Corporation administers strategic investments on behalf of the Province of Nova Scotia that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the Province of Nova Scotia in the form of a Strategic Investment Grant. As at March 31, 2007, transactions were approved with maximum annual payments over the next seven years of \$109.7 million (2006 - \$99.6 million) as shown below.

2008	\$	22,129
2009		21,737
2010		23,036
2011		18,136
2012		15,886
2013		5,322
2014		3,465
		<hr/>
		\$ 109,711

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2007

10. Commitments (continued):

- (c) During the year, the Corporation transferred the Debert sewage plants to the Municipality of Colchester. Prior to the transfer, capital investments of approximately \$3 million were made to upgrade the facilities to meet environmental standards. It is expected that the related land will transfer to the Municipality in 2008 upon the resolution of remaining environmental and land claim issues.

11. Contingencies:

(a) Guarantees:

	Authorized	2007 Utilized	2006 Utilized
Bank loans	\$ 6,654	\$ 4,004	\$ 2,754
Less provision for payment		760	650
		\$ 3,244	\$ 2,104

Included in the above guarantees are: (a) a term loan in the amount of \$2,104 expiring in 2008; (b) a guarantee of a line of credit in the amount of \$400 expiring in 2011; and (c) a default guarantee in the amount of \$1,500 expiring in 2009.

The guarantees are secured by various assets and proceeds from liquidation are expected to offset any possible payments under the guarantees.

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2007

11. Contingencies (continued):

(b) Litigation:

The Corporation is a co-defender with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. It is assumed that any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

Counsel is unable to form an opinion at this early date in regard to the likelihood of loss; consequently, no provision for any possible loss has been recorded in these financial statements.

12. Nova Scotia Business Fund:

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated and investments have been transferred from the Nova Scotia Business Development Corporation Fund on November 6, 2001. The following is a summary of the Fund as at March 31.

	2007	2006
Assets:		
Nova Scotia Business Incorporated portfolio	\$ 37,558	\$ 26,553
Loan guarantees (note 11)	4,004	2,754
<u>Less allowance for credit losses</u>	<u>13,690</u>	<u>13,126</u>
	27,872	16,181
<u>Financing authorized but unadvanced (note 10)</u>	<u>9,715</u>	<u>1,563</u>
	37,587	17,744
 Nova Scotia Business Development Corporation portfolio	 130,802	 144,474
<u>Less allowance for credit losses</u>	<u>38,957</u>	<u>41,477</u>
	91,845	102,997
	 \$ 129,432	 \$ 120,741

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2007

12. Nova Scotia Business Fund (continued):

	2007	2006
Funding authorized and committed:		
Fund balance authorized, net of write offs	\$ 262,946	\$ 266,818
Less uncommitted balance of fund	80,867	91,474
Committed fund balance	182,079	175,344
Less allowance for credit losses and payment of guarantees	52,647	54,603
	\$ 129,432	\$ 120,741

13. Credit risk:

Credit risk is the risk that a debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies:

Before financing is approved, a risk assessment is performed on the client. Each application is designated a risk rating based on the industry and business, quality of management, financial history and projections, the level of other creditor involvement and shareholder participation, and environmental risks. The terms and conditions of the approved financing are reflective of the assessed risk. Applications with unacceptable levels of risk are not approved.

Clients are usually limited to a total of \$15 million in financing from Nova Scotia Business Incorporated's Nova Scotia Business Fund. Two clients currently exceed this total; their loans were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001. The outstanding amounts for these clients are approximately \$38 million and \$27 million, respectively (2006 - \$39 million and \$27 million). A third client, with existing financing of \$13 million, had approximately \$6 million of authorized, but unutilized, funding available at year-end.

The risk rating for all clients is monitored on an on-going basis. Clients identified as higher risk are further assessed at year end to determine the extent of the potential loss, taking into account the value of the security pledged in support of the financial assistance. This assessment could result in a reduction in the carrying value of the investment via the provision for credit losses.

NOVA SCOTIA BUSINESS INCORPORATED

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2007

14. Taxes:

The Corporation is not subject to provincial or federal taxes.

15. Supplementary cash information:

Cash position is defined as cash and short-term investments.

During the year, cash received for interest income was \$7,455 (2006 - \$7,255) and cash paid for interest was \$7,319 (2006 - \$5,661).

Non-cash investing activities	2007	2006
Conversion of loans to equity	\$ -	\$ 364

16. Related party transactions:

Financing has been advanced to companies which were controlled or otherwise not independent of certain directors of Nova Scotia Business Incorporated at the time of the transactions. These investments totaled \$39,023 (2006 - \$34,894) and certain of these investments have specific allowances recorded against them totaling \$5,515 (2006 - \$5,489). Furthermore, payroll rebates in the amount of \$4,515 (2006 - nil) were awarded during the year.

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

The Corporation occupies premises for which no rental fee is charged by the shareholder. Management estimates the annual cost to lease the premises is approximately \$627.

17. Employee pension plan:

Employees of the Company participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2007 were \$326 (2006 - \$282) and are recognized as an expense in the period. The Company is not responsible for any under-funded liability, nor does the Company have any access to any surplus that may arise in this Plan.

NOVA SCOTIA BUSINESS INCORPORATED**Schedule of Operating Expenses**
(in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Business development	\$ 2,568	\$ 1,653
Legal and audit	271	272
Office expenses	347	658
Other	154	87
Salaries and benefits	5,758	5,190
Telecommunications and technical support	341	398
Travel	840	667
	\$ 10,279	\$ 8,925

NOVA SCOTIA BUSINESS INCORPORATED

Schedule of Nova Scotia Business Fund Expenses
(in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Amortization	\$ 188	\$ 201
Commissions	70	76
Interest	7,527	9,452
Legal	2	12
Repairs and maintenance	485	388
	<u>\$ 8,272</u>	<u>\$ 10,129</u>

Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE

March 31, 2007

Deloitte

Deloitte & Touche LLP
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Auditors' Report

To the Board of Governors of the
Nova Scotia Community College

We have audited the statement of financial position of the Nova Scotia Community College as at March 31, 2007 and the statements of revenue and expenditures, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Halifax, Nova Scotia
June 1, 2007

NOVA SCOTIA COMMUNITY COLLEGE
Statement of Financial Position
March 31, 2007

	2007	2006
ASSETS		
Current		
Cash	\$ 28,674,159	\$ 17,791,972
Accounts receivable (Note 3)	19,532,933	15,608,400
Inventory	752,044	754,990
Prepays	254,096	802,500
	49,213,232	34,957,862
Capital assets (Note 4)	4,394,810	5,096,893
Foundation assets (Note 5)	2,323,720	1,556,674
Pensionable advance (Note 13)	555,557	595,120
	\$ 56,487,319	\$ 42,206,549
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 27,359,948	\$ 17,852,826
Deferred revenue (Note 6)	5,760,777	6,010,890
	33,120,725	23,863,716
Deferred revenue related to capital assets (Note 7)	3,012,738	3,688,438
Employee future benefit obligation (Note 16)	8,246,548	3,677,000
	44,380,011	31,229,154
Commitments (Note 14)		
NET ASSETS		
Invested in capital assets (Note 8)	1,382,072	1,408,455
Unrestricted	3,678,593	3,289,343
Restricted for Foundation purposes (Note 5)	2,323,720	1,556,674
Restricted for College development (Note 12)	4,722,923	4,722,923
	12,107,308	10,977,395
	\$ 56,487,319	\$ 42,206,549

ON BEHALF OF THE BOARD

..... Director

..... Director

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Revenue and Expenditures

Year ended March 31, 2007

	2007	2006
Revenue		
Province of Nova Scotia (Note 9)	\$ 94,822,000	\$ 83,967,000
Government of Canada	9,050,000	9,050,000
Tuition and fees	18,393,940	18,190,350
Customized training	13,047,343	12,227,354
Amortization of deferred revenue related to capital assets	1,920,604	2,211,607
Other (Note 10)	20,349,790	18,795,823
	<u>\$ 157,583,677</u>	<u>\$ 144,442,134</u>
Expenditures		
Salaries and benefits	105,229,009	94,244,685
Operating supplies and services	28,079,706	26,345,037
Equipment, rentals and other administration	12,148,922	10,920,853
Utilities and maintenance	9,040,948	8,831,635
Amortization	2,722,225	3,879,163
	<u>157,220,810</u>	<u>144,221,373</u>
Excess of revenue over expenditures	<u>\$ 362,867</u>	<u>\$ 220,761</u>

NOVA SCOTIA COMMUNITY COLLEGE**Statement of Cash Flows**

Year ended March 31, 2007

	2007	2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating		
Excess of revenue over expenditures	\$ 362,867	\$ 220,761
Items not affect cash		
Amortization of deferred revenue related to capital assets	(1,920,604)	(2,211,607)
Amortization	2,722,225	3,879,163
Employee future benefit obligation	4,569,548	896,000
Changes in non-cash working capital items (Note 11)	5,883,826	(3,420,050)
	11,617,862	(635,733)
Investing		
Purchase of capital assets	(2,020,142)	(3,414,505)
Financing		
Pensionable advance	39,563	27,284
Contributions related to capital assets	1,244,904	1,787,989
	1,284,467	1,815,273
NET CASH INFLOW (OUTFLOW)	10,882,187	(2,234,965)
CASH POSITION, BEGINNING OF YEAR	17,791,972	20,026,937
CASH POSITION, END OF YEAR	\$ 28,674,159	\$ 17,791,972

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Changes in Net Assets

Year ended March 31, 2007

	Invested in Capital Assets	Unrestricted	Restricted for Foundation Purposes (Note 5)	Restricted for College Development (Note 12)	2007 Total	2006 Total
Balance, beginning of year	\$ 1,408,455	\$ 3,289,343	\$ 1,556,674	\$ 4,722,923	\$ 10,977,395	\$ 10,294,257
Excess (deficiency) of revenue over expenditures	(801,621)	1,164,488	-	-	362,867	220,761
Investment in capital assets	775,238	(775,238)	-	-	-	-
Endowment contributions and interest	-	-	1,490,964	-	1,490,964	1,226,520
Endowment disbursements	-	-	(723,918)	-	(723,918)	(764,143)
Balance, end of year	\$ 1,382,072	\$ 3,678,593	\$ 2,323,720	\$ 4,722,923	\$ 12,107,308	\$ 10,977,395

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

1. OVERVIEW OF OPERATIONS

The Nova Scotia Community College (the "College") was established as a post-secondary public education corporation under the authority of the Community College Act of Nova Scotia effective April 1, 1996.

The College, with thirteen campuses across the Province of Nova Scotia (the "Province"), is responsible for enhancing the economic and social well being of Nova Scotia by meeting the occupational training requirements of the population and the labour market.

The College has entered into a consent agreement with the Province that allows the College to construct facilities on land owned by the Province pursuant to the \$123 million multi-year infrastructure investment announced by the Province on March 28, 2003. The investment will provide newer facilities, more space and revamped learning and student life areas across the Province. Ownership of the buildings, including the new Metro Campus, will remain with the Province. Costs associated with the project will be managed by the College and flow through a liability account, which is subsequently reimbursed by the Province. The expenditures are netted against the funds receivable from the Province and have no effect on the statement of revenue and expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as revenue and expenditures during the year. The accounts most subject to estimation and judgment include the allowance for doubtful accounts and accrued liabilities. Actual results may differ from those estimates.

Revenue recognition

The College follows the deferral method of accounting for revenue. Tuition fees, residence fees and sales are recognized when the services are provided or the goods are sold. Funding for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding received for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

Cash

Cash consists of cash on hand and amounts held by financial institutions, upon which interest is paid at commercial rates.

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Purchased capital assets are recorded at cost. Capital assets are amortized on a straight-line basis over the following estimated useful life:

Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	2 to 5 years

Land and buildings that are owned by the Province are not reflected in the assets of the College. Improvements made to these buildings are therefore expensed in the year. Improvements made to buildings with leases in place are capitalized and amortized over their useful life or the term of the lease, whichever is less.

Contributed services

The Province provides the College with buildings at thirteen campuses (in excess of two million square feet) and is responsible for the maintenance of the physical plant and building infrastructure, the benefit of which is not reflected in these financial statements because of the difficulty in determining the value.

Inventory

Inventory consists of merchandise and supplies held for resale and are valued at the lower of cost and net realizable value. Administrative and program supplies and library periodicals are not inventoried.

3. ACCOUNTS RECEIVABLE

	2007	2006
Organizations	\$ 2,770,954	\$ 2,335,765
Student fees	1,922,699	2,635,699
Government funding	3,576,250	6,306,125
Development Project	10,042,323	2,595,514
Other	1,014,512	1,653,200
Harmonized Sales Tax	870,406	1,008,218
Allowance for doubtful accounts	(664,211)	(926,121)
	<u>\$ 19,532,933</u>	<u>\$ 15,608,400</u>

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

4. CAPITAL ASSETS

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 8,585,863	\$ 8,164,402	\$ 421,461	\$ 525,142
Furniture and equipment	14,115,195	10,699,511	3,415,684	3,490,800
Leasehold improvements	2,100,822	1,543,157	557,665	1,080,951
	\$ 24,801,880	\$ 20,407,070	\$ 4,394,810	\$ 5,096,893

5. FOUNDATION ASSETS

The Nova Scotia Community College Foundation (the "Foundation") is a non-profit organization controlled by the College. The assets represent donations and related interest restricted for scholarships, awards and other specified purposes. The Foundation works collaboratively with the College and the community to enhance the student experience by developing and implementing a framework to nurture support for current and future needs of the College.

The Foundation has not been consolidated in the College's financial statements. Financial statements of the Foundation are available upon request. Financial summaries as at March 31 and for the years then ended are as follows:

Nova Scotia Community College Foundation

	2007	2006
Results of operations		
Total revenue	\$ 1,490,964	\$ 1,226,520
Total expenditures	723,918	764,143
Excess of revenue over expenditures	\$ 767,046	\$ 462,377
Financial position		
Total assets	\$ 2,440,737	\$ 1,645,741
Less: Total liabilities	117,017	89,067
Total net assets	\$ 2,323,720	\$ 1,556,674

The Foundation uses fund accounting and follows the restricted fund method of accounting for contributions.

6. DEFERRED REVENUE

Deferred revenue represents the unearned portion of amounts received for specific purposes and is summarized as follows:

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

6. DEFERRED REVENUE (continued)

	2007	2006
Apprenticeship	\$ 893,981	\$ 554,682
Offshore operation	124,425	571,655
Skills development	452,953	720,000
Applied research	731,665	463,002
Customized training	1,998,152	2,134,591
Other	1,559,601	1,566,960
	<u>\$ 5,760,777</u>	<u>\$ 6,010,890</u>

7. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

Deferred revenue related to capital assets represents the unamortized portion of funding received from the Province of Nova Scotia and other sources for capital asset additions. The deferred revenue is amortized into revenue at a rate corresponding with the amortization rate for the related capital asset. The changes in the deferred balance are as follows:

	2007	2006
Beginning balance	\$ 3,688,438	\$ 4,112,056
Contributions received	1,244,904	1,787,989
Amortization of deferred revenue related to capital assets	(1,920,604)	(2,211,607)
Ending balance	<u>\$ 3,012,738</u>	<u>\$ 3,688,438</u>

8. NET ASSETS INVESTED IN CAPITAL ASSETS

	2007	2006
Capital assets, net of amortization	\$ 4,394,810	\$ 5,096,893
Deferred revenue related to capital assets	(3,012,738)	(3,688,438)
	<u>\$ 1,382,072</u>	<u>\$ 1,408,455</u>

9. REVENUE - PROVINCE OF NOVA SCOTIA

	2007	2006
Funding received	\$ 95,822,000	\$ 84,967,000
Portion related to capital assets	(1,000,000)	(1,000,000)
	<u>\$ 94,822,000</u>	<u>\$ 83,967,000</u>

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

10. OTHER REVENUE

	2007	2006
Other revenue is summarized as follows:		
Bookstore revenue	\$ 4,060,775	\$ 3,977,034
Food sales	1,831,520	1,674,132
Apprenticeship/Shop	2,663,920	3,441,832
Interest	1,084,369	659,518
Recoveries	4,638,408	3,317,961
Applied research	1,136,910	1,285,212
Lodging, rent and miscellaneous	4,933,888	4,440,134
	<u>\$ 20,349,790</u>	<u>\$ 18,795,823</u>

11. CHANGES IN NON-CASH WORKING CAPITAL

	2007	2006
Accounts receivable	\$ (3,924,533)	\$ (1,496,776)
Inventory	2,946	(62,836)
Prepays	548,404	(313,831)
Accounts payable and accrued liabilities	9,507,122	(1,458,448)
Deferred revenue	(250,113)	(88,159)
	<u>\$ 5,883,826</u>	<u>\$ (3,420,050)</u>

12. RESTRICTED FOR COLLEGE DEVELOPMENT

These funds have been internally restricted by the Board to ensure that the funds are used solely for College development projects.

13. PENSIONABLE ADVANCE

When the College took over the payroll function from the Province, it had to book a receivable, which represented a pay advance to staff. This was to account for the move from "paid to date" to "paid in arrears". This receivable was formerly held by the Province.

14. COMMITMENTS

The College is committed to the following lease and maintenance agreement payments over the next five years.

2008	\$ 1,429,923
2009	1,008,395
2010	701,219
2011	621,458
2012	161,954
	<u>\$ 3,922,949</u>

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

15. PENSION PLAN

The Nova Scotia Community College contributes to two defined benefit pension plans administered by the Province of Nova Scotia. The Province of Nova Scotia assumes the actuarial and investment risk associated with these plans. Accordingly, the College accounts for these pensions as defined contribution plans.

The College matches employees' contributions calculated as follows for the Nova Scotia Public Service Superannuation Plan: 6.4% (2006 - 6.4%) on the part of their salary that is equal to or less than the "year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan (CPP) and 8% (2006 - 8%) on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of \$4,591,898 (2006 - \$4,318,647) for the year.

The College matches employees' contributions calculated as follows for the Nova Scotia Teachers' Union Pension Plan: 8.3% (2006 - 8.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 9.9% (2006 - 9.9%) on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of \$8,361,276 (2006 - \$7,241,040) for the year.

16. EMPLOYEE FUTURE BENEFIT OBLIGATION

College Service Award

An employee hired on or after August 1, 1998 who retires because of age or mental or physical incapacity shall be granted a College Service Award (CSA) equal to 1% of the employee's annual salary for each year of continuous service to a maximum of 25 years. There are no employee contributions in respect of the plan. There is no distinct fund held in respect of the CSA benefits but sufficient cash is maintained to cover the obligation. The benefits are paid from unrestricted cash.

An actuarial evaluation was completed as of March 31, 2007 and the College's obligation relating to these benefits was approximately \$4,535,000 (2006 - \$3,677,000). The benefit expense was \$1,044,236 (2006 - \$888,308). The benefits paid were \$29,229 (2006 - \$3,067). The next actuarial evaluation is scheduled for March 31, 2008.

The significant actuarial assumptions adopted in estimating the College's obligation are as follows:

Future salary increase	6% per annum
Expected rate of return	0% per annum
Discount rate	0% per annum
Retirement age	20% upon attainment of age 55 and 80 points (age plus service); the remainder at 35 years of service or age 60, whichever is earlier

Non-pension Retirement Benefits

During the year, the Province required the College to assume the future liability for the non-pension retirement benefits for the College's non-teaching staff. There are no employee contributions in respect of the plan. There is no distinct fund held in respect of the benefits but sufficient cash is maintained to cover the obligation. The benefits are paid from unrestricted cash.

NOVA SCOTIA COMMUNITY COLLEGE**Notes to the Financial Statements****March 31, 2007**

16. EMPLOYEE FUTURE BENEFIT OBLIGATION (continued)*Non-pension Retirement Benefits (continued)*

An actuarial evaluation was completed as of March 31, 2007 and the College's obligation relating to these benefits was \$3,711,548. The benefit expense was \$474,009. The benefits paid were \$90,480. The next actuarial evaluation is scheduled for March 31, 2008.

The significant actuarial assumptions adopted in estimating the College's obligation are as follows:

Expected rate of return	0% per annum
Discount rate	5.25% per annum
Retirement age	20% upon attainment of age 55 and 80 points (age plus service); the remainder at 35 years of service or age 60, whichever is earlier

17. FINANCIAL INSTRUMENTS*Fair value*

The College evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying values are considered to approximate fair values.

Credit risk

The College performs a continuous evaluation of its accounts receivable and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2007.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK
INSURANCE COMMISSION**

**FINANCIAL STATEMENTS
MARCH 31, 2007**

**Office of the Auditor General**

1888 Brunswick Street, Suite #302, Halifax, Nova Scotia B3J 3J8 • Telephone 902 424-5807 • Fax 902 424-4350 • www.gov.ns.ca/audg

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Agriculture

I have audited the balance sheet of the Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2007, and the statements of surplus and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Alan Horgan'.

Alan D. Horgan, CA
Deputy Auditor General

Halifax, Nova Scotia
May 15, 2007

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

**BALANCE SHEET
MARCH 31, 2007**

ASSETS		
	<u>2007</u>	<u>2006</u>
Current		
Cash	\$ 125,994	\$ 128,292
Short-term investments (note 3)	5,825,330	6,399,531
Receivables, trade	24,509	16,923
Accrued interest receivable	<u>132,505</u>	<u>213,040</u>
	6,108,338	6,757,786
Equipment (note 4)	<u>202,536</u>	<u>29,213</u>
	<u>\$ 6,310,874</u>	<u>\$ 6,786,999</u>
LIABILITIES		
Current		
Unearned premiums	\$ 49,261	\$ 52,703
Deposits for insurance	<u>22,454</u>	<u>14,884</u>
	71,715	67,587
Deferred contributions related to capital assets (note 6)	<u>202,536</u>	<u>29,213</u>
	<u>274,251</u>	<u>96,800</u>
FUND BALANCES		
Fund balances		
Crop insurance	4,981,264	5,667,101
Livestock insurance	<u>1,055,359</u>	<u>1,023,098</u>
	<u>6,036,623</u>	<u>6,690,199</u>
	<u>\$ 6,310,874</u>	<u>\$ 6,786,999</u>
Commitments (notes 10 and 13)		

On Behalf of the Commission

Director

Director

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

**STATEMENT OF SURPLUS AND FUND BALANCES
YEAR ENDED MARCH 31, 2007**

	<u>Crop Insurance</u>	<u>Livestock Insurance</u>	<u>Total 2007</u>	<u>Total 2006</u>
Revenue				
Insurance premiums (Schedule A)	\$ 860,944	\$ 29,498	\$ 890,442	\$ 821,574
Interest income	188,116	36,655	224,771	215,060
Amortization of deferred contributions (note 6)	<u>32,188</u>	<u>-</u>	<u>32,188</u>	<u>11,183</u>
	<u>1,081,248</u>	<u>66,153</u>	<u>1,147,401</u>	<u>1,047,817</u>
Expenses				
Indemnity claims (Schedule A)	1,656,030	18,400	1,674,430	1,114,807
Loss on disposal of investments	78,969	15,492	94,461	-
Bad debt recoveries	(102)	-	(102)	(13,001)
Administrative expenses (note 7) (Schedule B)	910,252	18,576	928,828	785,516
Amortization of capital assets	<u>32,188</u>	<u>-</u>	<u>32,188</u>	<u>11,183</u>
	<u>2,677,337</u>	<u>52,468</u>	<u>2,729,805</u>	<u>1,898,505</u>
Surplus (deficiency) before Government contributions	(1,596,089)	13,685	(1,582,404)	(850,688)
Government contributions (note 8)	<u>910,252</u>	<u>18,576</u>	<u>928,828</u>	<u>785,515</u>
Net surplus (deficiency)	(685,837)	32,261	(653,576)	(65,173)
Fund balances, beginning of year	<u>5,667,101</u>	<u>1,023,098</u>	<u>6,690,199</u>	<u>6,735,372</u>
Fund balances, end of year	<u>\$ 4,981,264</u>	<u>\$ 1,055,359</u>	<u>\$ 6,036,623</u>	<u>\$ 6,690,199</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
Operating Activities		
Net surplus (deficiency)	\$ (653,576)	\$ (65,173)
Amortization of capital assets	32,188	11,183
Amortization of deferred contributions	<u>(32,188)</u>	<u>(11,183)</u>
	(653,576)	(65,173)
Net change in non-cash working capital balances related to operations (note 9)	<u>77,077</u>	<u>(87,261)</u>
	<u>(576,499)</u>	<u>(152,434)</u>
Investing Activities		
Sale of short-term investments	574,201	108,148
Purchase of capital assets	(205,511)	(2,913)
Deferred contributions related to capital assets	<u>205,511</u>	<u>2,913</u>
	<u>574,201</u>	<u>108,148</u>
Decrease in cash during year	(2,298)	(44,286)
Cash, beginning of year	<u>128,292</u>	<u>172,578</u>
Cash, end of year	\$ <u>125,994</u>	\$ <u>128,292</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

2. Accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following accounting policies:

Capital Assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for office furniture is 10 years and for equipment is 5 or 10 years depending on the type of equipment.

Revenue

Revenue relating to insurance premiums is recorded in the accounts once coverage is written and the insurance certificate is issued to the producer.

3. Short-term investments

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2007 these funds had a market value of \$5,825,330 (2006 - \$6,238,094) and were invested in various GIC's and provincial promissory notes maturing in 2007 with yields from 3.75% to 4.28%.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

4. Equipment

	<u>2007</u>	<u>2006</u>
Equipment and furniture	\$ 336,732	\$ 131,779
Accumulated amortization	<u>(134,196)</u>	<u>(102,566)</u>
	<u>\$ 202,536</u>	<u>\$ 29,213</u>

5. Provision for payment of unsettled indemnities

Any indemnities for losses incurred in the fiscal year not paid as of year end have been estimated and recorded as a liability in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

6. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent capital assets which were purchased by the Department of Agriculture on behalf of the Commission.

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 29,213	\$ 37,483
Add: Capital assets acquired	205,511	2,913
Less: Amounts amortized to revenue	<u>(32,188)</u>	<u>(11,183)</u>
Balance, end of year	<u>\$ 202,536</u>	<u>\$ 29,213</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

7. Related party transactions

Administrative expenses include \$30,000 (2006 - \$30,000) for rent and \$44,240 (2006 - \$44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture.

8. Government contributions

Under the crop insurance programs, producers pay 40% of the insurance premiums and the Federal and Provincial governments pay 36% and 24% respectfully. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 2007 fiscal year, the Federal government contributed 60% (2006 - 60%) of the total administrative expenses for the crop insurance program with the Provincial government funding the remainder. The Provincial government funds all of the administrative costs of the livestock insurance program.

9. Net change in non-cash working capital balances related to operations

	<u>2007</u>	<u>2006</u>
Increase (decrease) in cash from changes in:		
Receivables	\$ (7,586)	\$ 15,013
Accrued interest receivable	80,534	(110,523)
Increase in deposits for insurance	7,570	140
Unearned premiums	<u>(3,441)</u>	<u>8,109</u>
	<u>\$ 77,077</u>	<u>\$ (87,261)</u>

10. Insurance coverage

The total insurance coverage as of March 31, 2007 was \$56,401,119 (2006 - \$56,145,854), comprising crop insurance of \$22,685,467 (2006 - \$21,702,008) and livestock insurance of \$33,715,652 (2006 - \$34,443,846).

The Province is party to an agreement with the Government of Canada, whereby, the Province made advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund was to assist the Province of Nova Scotia when there was a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Advances to this Fund were recorded by the Province as a loan receivable, although they have not been reflected in the accounting records of the Commission.

The total re-insurance premiums paid by the Province have amounted to approximately \$709,345. Management holds the opinion that the payment of these premiums was the responsibility of the Province. The matter remains unresolved as of March 31, 2007. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

11. Pension and post-retirement benefits

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability or other obligations related to post-retirement benefits. The pension expense incurred in the current year was \$41,702 (2006 - \$35,531).

12. Economic dependence

The Commission is economically dependent upon the ongoing and future funding of the Nova Scotia and Federal governments.

13. Commitment

The Commission has entered into an agreement to have AG Research Inc. develop a customized computer system for a total value of \$249,000. As at March 31, 2007, \$199,619 had been paid for work completed to date. The remaining balance of \$49,381 will be paid once the final phases of the computer system have been completed and accepted by the Commission.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

**PREMIUM REVENUE AND INDEMNITY CLAIMS
FOR THE YEAR ENDED MARCH 31, 2007**

SCHEDULE A

	Premium Revenue					Indemnity Claims	
	<u>Farmer</u>	<u>Federal</u>	<u>Provincial</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Crop Insurance							
Spring grain	\$ 10,200	\$ 8,285	\$ 5,522	\$ 24,007	\$ 35,297	\$ 150,008	\$ 44,846
Winter grain	10,287	8,599	5,736	24,622	29,274	81,149	104,382
Tree fruit	112,725	122,292	81,902	316,919	262,122	397,191	272,023
Corn	27,484	24,745	16,493	68,722	76,303	136,044	43,978
Blueberries	101,978	91,607	61,069	254,654	235,580	471,992	449,401
Strawberries and raspberries	2,668	2,408	1,605	6,681	16,021	29,471	5,448
Forage	1,498	1,326	882	3,706	3,939	2,584	2,617
Soybeans	3,358	2,985	1,989	8,332	10,927	2,517	6,723
Potatoes	36,557	26,452	17,609	80,618	45,169	172,449	169,389
Vegetables	<u>29,593</u>	<u>25,841</u>	<u>17,249</u>	<u>72,683</u>	<u>74,510</u>	<u>212,625</u>	<u>6,600</u>
	<u>336,348</u>	<u>314,540</u>	<u>210,056</u>	<u>860,944</u>	<u>789,142</u>	<u>1,656,030</u>	<u>1,105,407</u>
Livestock Insurance							
Dairy	<u>29,498</u>	<u>-</u>	<u>-</u>	<u>29,498</u>	<u>32,432</u>	<u>18,400</u>	<u>9,400</u>
Total	<u>\$ 365,846</u>	<u>\$ 314,540</u>	<u>\$ 210,056</u>	<u>\$ 890,442</u>	<u>\$ 821,574</u>	<u>\$ 1,674,430</u>	<u>\$ 1,114,807</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**

**ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED MARCH 31, 2007**

SCHEDULE B

	Insurance		Totals	
	Crop	Livestock	2007	2006
Personnel	\$ 662,019	\$ 13,511	\$ 675,530	\$ 593,256
Transportation and communication	66,189	1,351	67,540	74,244
Information	6,469	132	6,601	10,350
Professional and special services	75,160	1,534	76,694	11,993
Office accommodation and equipment rental	49,773	1,015	50,788	33,432
Repair and maintenance of equipment	2,907	59	2,966	2,126
Materials and supplies	4,380	89	4,469	15,875
Central government services	<u>43,355</u>	<u>885</u>	<u>44,240</u>	<u>44,240</u>
	<u>\$ 910,252</u>	<u>\$ 18,576</u>	<u>\$ 928,828</u>	<u>\$ 785,516</u>

NOVA SCOTIA E911 COST RECOVERY FUND**FINANCIAL STATEMENTS**
for the year ended March 31, 2007

LYLE TILLEY DAVIDSON
Chartered Accountants



AUDITOR'S REPORT

To the shareholders of Nova Scotia E911 Cost Recovery Fund

We have audited the statement of financial position of Nova Scotia E911 Cost Recovery Fund (the "Fund") as at March 31, 2007 and the statements of operations and fund equity and cash flow for the year then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Fund is managed by the Nova Scotia Emergency Management Office (EMO), and the EMO and the Government of Nova Scotia have the ability to incur expenses on behalf of the Fund, which may not have been charged to the Fund; therefore, the completeness of the expenses of the Fund are not susceptible to satisfactory audit verification. Accordingly, our verification of these expenses was limited to the amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary to expenses, excess of revenues over expenses, current liabilities, net assets and Fund equity.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the expenses referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the fund as at March 31, 2007 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Prior year figures were audited by another Chartered Accounting Firm.

A handwritten signature in cursive script that reads "Lyle Tilley Davidson".

CHARTERED ACCOUNTANTS

Hallifax, Nova Scotia

May 31, 2007

101 Huxley Avenue, Unit 7
Dartmouth, Nova Scotia B3B 1S8
Tel: 902.468.2688 Fax: 902.468.3966

1718 Argyle St., Suite 720
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A MEMBER OF NEXIA INTERNATIONAL

48 Davison Drive
Bridgewater, Nova Scotia B4V 3K9
Tel: 902.543.1044 Fax: 902.543.0925

NOVA SCOTIA E911 COST RECOVERY FUND
STATEMENT OF FINANCIAL POSITION
as at March 31, 2007

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,650,497	\$ 3,586,289
Accounts receivable (note 3)	1,008,830	1,072,288
Accrued interest receivable	13,784	3,672
	<u>\$ 6,673,111</u>	<u>\$ 4,662,249</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 5,800	\$ 7,850
Amount due to Province of Nova Scotia	2,211,360	1,718,422
	<u>2,217,160</u>	<u>1,726,272</u>
FUND EQUITY		
FUND EQUITY	<u>4,455,951</u>	<u>2,935,977</u>
	<u>\$ 6,673,111</u>	<u>\$ 4,662,249</u>

Signed on behalf of the Board

 Director

 Director

NOVA SCOTIA E911 COST RECOVERY FUND
STATEMENT OF OPERATIONS AND FUND EQUITY
for the year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
REVENUE		
Fees	\$ 6,384,092	\$ 5,364,244
Billing and collection charges	(1,031,936)	(937,172)
Allowance for bad debts incurred by carriers (note 4)	<u>(55,299)</u>	<u>(71,759)</u>
	5,296,857	4,355,313
INVESTMENT INCOME	<u>165,130</u>	<u>66,466</u>
	5,461,987	4,421,779
OPERATING EXPENSES		
911 management, administration and operation (schedule)	2,565,089	1,720,125
IWK Poison Centre Operations	566,000	615,000
Service Nova Scotia and municipal relations digital	500,000	400,000
Municipalities	280,298	252,300
Department of Transportation distance markers	<u>20,628</u>	<u>36,345</u>
	3,942,013	3,023,770
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	1,519,974	1,398,009
FUND EQUITY - BEGINNING OF YEAR	<u>2,935,977</u>	<u>1,537,968</u>
FUND EQUITY - END OF YEAR	<u>\$ 4,455,951</u>	<u>\$ 2,935,977</u>

NOVA SCOTIA E911 COST RECOVERY FUND**STATEMENT OF CASH FLOW**
for the year ended March 31, 2007

	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES		
Net earnings for the year	\$ 1,519,974	\$ 1,398,009
Changes in non-cash working capital:		
Accounts receivable	63,458	302,497
Accrued interest receivable	(10,112)	(3,527)
Accounts payable and accrued liabilities	(2,050)	2,300
Amount due to Province of Nova Scotia	492,938	88,091
INCREASE IN CASH DURING THE YEAR	2,064,208	1,787,370
CASH AND EQUIVALENTS - BEGINNING OF YEAR	3,586,289	1,798,919
CASH AND EQUIVALENTS - END OF YEAR	\$ 5,650,497	\$ 3,586,289
Cash and equivalents is comprised of the following:		
Cash	\$ 44,995	\$ 1,021
Short-term investments	5,605,502	3,585,268
	\$ 5,650,497	\$ 3,586,289

NOVA SCOTIA E911 COST RECOVERY FUND**NOTES TO FINANCIAL STATEMENTS***for the year ended March 31, 2007***1. DESCRIPTION OF THE FUND**

The Nova Scotia E911 Cost Recovery Fund (the "Fund") was established on February 2, 2001, pursuant to the *Emergency 911 Act*. The purpose of the Fund is to recover costs incurred to carry out Emergency 911 operations by charging a monthly fee to telephone subscribers in Nova Scotia.

On behalf of the Province of Nova Scotia, the 911 service is managed, operated and administered by the Nova Scotia Emergency Management Office. These financial statements do not include the assets and liabilities of the Nova Scotia Emergency Management Office.

2. ACCOUNTING POLICIES**Cash and cash equivalents**

Cash and cash equivalents consist of amounts held on account at financial institutions and short-term investments readily convertible to cash.

Revenue

The Fund recognizes revenue when remittances from carriers owe and collections of the resulting receivable is probable. Any cumulative excess of revenue over expenses of the Fund are deferred to cover cost of operations in future years.

Capital expenditures

Expenditures of a capital nature are expensed in the Fund as the resultant assets are owned and operated by the Nova Scotia Emergency Management Office.

Financial instruments

The carrying value of current assets and current liabilities approximate fair value due to the short-term nature of these instruments. The carrying value of all other financial instruments approximate fair value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the company's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

NOVA SCOTIA E911 COST RECOVERY FUND**NOTES TO FINANCIAL STATEMENTS***for the year ended March 31, 2007***3. ACCOUNTS RECEIVABLE**

Accounts receivable represents the net of gross fees receivable less a provision for bad debts and collection charges.

	<u>2007</u>	<u>2006</u>
Gross fees	\$ 1,206,049	\$ 1,296,337
Provision for bad debts	(11,631)	(17,091)
Collection charges	(193,760)	(206,958)
TPW receivable	8,172	-
	<u>\$ 1,008,830</u>	<u>\$ 1,072,288</u>

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Under the terms of the Billing and Collections Agreement, prior to remitting fees to the Fund, each carrier may deduct from the gross billings an amount equal to the rate of bad debts experience by the carrier in the previous month.

5. EQUIPMENT USAGE

New equipment was purchased during the year by the Province of Nova Scotia and is being charged to the Fund based on the amortization recorded by the Province.

NOVA SCOTIA E911 COST RECOVERY FUND
SCHEDULE OF 911 MANAGEMENT, ADMINISTRATION AND OPERATIONS EXPENSES
for the year ended March 31, 2007

	2007	2006
911 call answer charges	\$ 816,137	\$ 721,304
Direct salaries and benefits	385,806	435,904
911 call taker equipment purchase	166,234	127,170
Telecommunications	165,094	85,341
Call taker training	144,447	52,941
Professional services	282,718	52,426
Advertising and public information	11,981	39,726
Consulting services	53,502	35,395
Travel	19,952	34,881
Office furniture and equipment	37,452	30,507
Office space rental	53,748	28,328
Meeting	5,765	25,920
Staff training	4,209	18,527
Office supplies	10,394	12,152
Audit	6,159	7,250
Printing, brochures, pamphlets, etc.	3,175	6,310
Rentals of faxes and photocopiers	5,325	4,992
Postage, courier and tax	2,888	2,111
Parking	4,676	940
Grants and assistance	147,264	-
Legal	18,000	-
Automobile operations	2,917	-
Automobile leases	3,086	-
Equipment usage (note 5)	224,200	-
	<u>\$ 2,565,089</u>	<u>\$ 1,720,125</u>

Unaudited

Nova Scotia Environmental Trust Fund

Balance Sheet As at March 31, 2007

	2007	2006
Assets		
Cash	\$433	\$88
Investments (Schedule 1)	24,605	6,676
	<u>\$25,038</u>	<u>\$6,764</u>

	Fund Equity	
Fund Equity	<u>\$25,038</u>	<u>\$6,764</u>

Statement of Income and Fund Equity For the year ended March 31, 2007

	2007	2006
Revenue		
Advances	\$18,000	\$—
Interest	274	192
	<u>\$18,274</u>	<u>\$192</u>
Expenses		
Bank Charges	<u>—</u>	<u>—</u>
Net Income	18,274	192
Fund Equity, beginning of year	<u>6,764</u>	<u>6,572</u>
Fund Equity, end of year	<u>\$25,038</u>	<u>\$6,764</u>

Unaudited

Nova Scotia Environmental Trust Fund

Notes to Financial Statements
March 31, 2007

Schedule 1

1. Authority

Effective January 1, 1995 the authority for Nova Scotia Environmental Trust Fund operations is the Environment Act. The purpose of the Trust is to fund programs for environment research and management and conservation of the environment.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. Administrative expenses incurred on behalf of the Fund are included in the expenditures of the Nova Scotia Department of Environment and Labour and are not reflected in the financial statements.

Nova Scotia Environmental Trust Fund

Schedule of Investments
March 31, 2007

Investment	Interest Rate	Maturity Date	Cost
BNS Bearer Deposit Note	4.3%	April 5, 2007	6,673
BNS Banker's Acceptance	4.3%	April 24, 2007	17,932

The investments of the Nova Scotia Environmental Trust Fund are recorded at cost, which approximates their market value.

**NOVA SCOTIA FARM LOAN BOARD
FINANCIAL STATEMENTS
MARCH 31, 2007**

**Office of the Auditor General**

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AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Agriculture

I have audited the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 2007 and the statements of operations and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I have been unable to obtain satisfactory evidence to support a conclusion on management's estimate of the provisions for loan and real estate impairment. Accordingly, I was not able to determine whether any adjustments might be necessary to the provision for loan impairment, the provision for real estate impairment, or to the amount due to the Province of Nova Scotia, net income and retained earnings.

In the prior period, I was unable to obtain satisfactory evidence to support a conclusion on management's estimate of the provision for loan and real estate impairment as at March 31, 2006. Accordingly, I was not able to determine whether any adjustments to the provision for loan impairment, the provision for real estate impairment, or net income and retained earnings were necessary.

In my opinion, except for the effect of adjustments, if any, which I may have determined to be necessary had I been able to obtain sufficient evidence regarding the matters described in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'JR Lapointe'.

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
May 18, 2007

NOVA SCOTIA FARM LOAN BOARD
BALANCE SHEET
MARCH 31, 2007
(\$ thousands)

	ASSETS	
	2007	2006
Cash (Note 2a)	\$ 1,683	\$ 1,680
Interest and other receivables (net) (Note 3)	3,559	4,019
Loans receivable (net) (Notes 2c, 5)	180,107	174,353
Real estate (net) (Notes 2e, 6)	<u>2,836</u>	<u>2,650</u>
	<u>\$ 188,185</u>	<u>\$ 182,702</u>
LIABILITIES		
Due to the Province of Nova Scotia (Note 4)	\$ 360	\$ 105
Advances from the Province of Nova Scotia (Note 9)	<u>186,502</u>	<u>181,022</u>
	<u>186,862</u>	<u>181,127</u>
EQUITY		
Retained earnings (Note 2h)	<u>1,323</u>	<u>1,575</u>
	<u>\$ 188,185</u>	<u>\$ 182,702</u>
Commitments and contingencies (Note 10)		

Approved on behalf of the Board


Member


Member

The accompanying notes are an integral part of these financial statements.

NOVA SCOTIA FARM LOAN BOARD
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2007
(\$ thousands)

	2007	2006
Revenues		
Interest revenue (Note 2i)	\$ 10,910	\$ 10,593
Revenue on life insurance operations	254	225
Fee revenue and other income	<u>369</u>	<u>601</u>
	<u>11,533</u>	<u>11,419</u>
 Expenses		
Interest expense (Note 2h)	9,434	9,213
Operating expenses (Note 11)	1,288	1,435
Bad debt expense (Note 7)	<u>2,071</u>	<u>328</u>
	<u>12,793</u>	<u>10,976</u>
 Income (loss) before government contributions	(1,260)	443
Government contributions (Note 11)	<u>1,288</u>	<u>1,435</u>
 Net Income	<u>\$ 28</u>	<u>\$ 1,878</u>

The accompanying notes are an integral part of these financial statements.

**NOVA SCOTIA FARM LOAN BOARD
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2007**
(\$ thousands)

	2007	2006
Retained earnings, beginning of year (Notes 2h)	\$ 1,575	\$ 1,486
Income (loss) before government contributions	(1,260)	443
Recovery from (distribution to) the Province of Nova Scotia (Note 2h)	<u>1,008</u>	<u>(354)</u>
Retained earnings, end of year	<u>\$ 1,323</u>	<u>\$ 1,575</u>

The accompanying notes are an integral part of these financial statements.

NOVA SCOTIA FARM LOAN BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

1. Authority

The Nova Scotia Farm Loan Board, a Provincial agency, operates under the authority of the Agricultural and Rural Credit Act and the Forests Act (for timber loans). The Board was established to provide assistance to the agricultural sector in the Province.

Principal in loans outstanding is limited by regulation to \$200 million. Maximum advances to be disbursed in any given year is established through the annual budgeting process. For the year ended March 31, 2007 maximum new advances were \$30 million, of which \$25.5 million was advanced. The Board received repayments of loan principal of \$18.9 million during the year.

Loans in excess of \$2 million require approval by Governor-in-Council.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are the significant accounting policies used in the preparation of these financial statements.

a) Cash

The Farm Loan Board operates as an agency of the Province of Nova Scotia. All cash is received and disbursed through accounts managed centrally by the Province.

Cash reported consists of funds held by the Sun Life Assurance Company of Canada in relation to the Board's Creditor Group Life Insurance program. A portion of the funds are restricted under the terms of the life insurance contract.

	2007	2006
	(\$ thousands)	
Contractually restricted deposits	\$ 30	\$ 30
Unrestricted deposits	<u>1.653</u>	<u>1.650</u>
	<u>\$ 1.683</u>	<u>\$ 1.680</u>

**NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

2. continued

b) Statement of cash flow

Except for funds held by the insurance carrier, the Board holds no cash (see Note 2a). All disbursements are drawn from the Province and all receipts are deposited to accounts of the Province. A statement of cash flow has not been provided because disclosure in the balance sheet and statement of operations is considered adequate.

c) Loans receivable

Loans receivable is the principal portion of loans outstanding net of the provision for loan impairment.

Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the collection of the full amount of principal and interest.

d) Provision for loan impairment

The provision for loan impairment represents management's best estimate of losses due to impaired loans in the Board's portfolio. The provision is determined based on management's identification and evaluation of problem accounts and estimated losses that exist in the remaining portfolio. These judgements are influenced by the composition and quality of the portfolio, general economic conditions, and conditions affecting specific commodities, as well as the Board's policy to act as a patient lender, providing additional time for repayment where full future repayment appears reasonable.

The provision is established in two components:

- 1) A specific provision based on a loan-by-loan review is established to value impaired loans at the lower of their recorded investment or the estimated net realizable amount of their underlying security.
- 2) A general provision is an estimate of probable but unidentified losses in the portfolio that have not been included in the specific reserve. This estimate is based on general and commodity specific economic conditions, and on past experience of the Board.

The provision for loan impairment is an accounting estimate based on historic loan loss experience and an assessment of current conditions. Events may occur that render the underlying assumptions invalid and thus cause actual credit losses to vary significantly from management's estimate.

Performing loans are those loans, which in the estimation of management, will be fully repaid either on schedule or beyond schedule but including any appropriate additional interest charges. Repayment can be through either realization on existing security held by the Board or regular scheduled payments.

**NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

2. continued

Loans are identified as being impaired when account analysis indicates that there is a probability the loan may not be fully repaid with interest and there is insufficient security to prevent a shortfall. A provision for impairment is provided based on the amount and probability of the potential shortfall.

e) **Real estate acquired in settlement of loans**

Real estate acquired in settlement of loans which is held for sale is initially recorded at the lower of the recorded investment in the foreclosed loan and the estimated fair value based on the resale value of security held less disposal costs.

Net operating costs incurred on real estate held for sale are added to the carrying value of the property. The related provision is used to adjust the carrying value to net realizable value, resulting in inclusion of these costs in bad debt expense.

f) **Real estate acquired for leasing or other purposes**

The Board holds land purchased under a Provincial "Landbank" program and under a Federal-Provincial "Agriculture and Rural Development Agreement" (ARDA). Both of these programs have ceased to exist, however existing properties and leases continue with renewable five year terms. Property acquired under these programs is valued at cost less the unamortized value of the Federal contribution to the ARDA program. The Federal contribution is amortized to other income when related properties are sold. Lease clients are entitled to purchase the related property at its original purchase cost.

g) **Capital assets**

The Board applies the capitalization policies of the Province. No assets acquired by the Board meet the minimum thresholds for capitalization.

h) **Interest expense and retained earnings**

A Memorandum of Understanding (MOU) dated March 16, 1999 between the Nova Scotia Farm Loan Board and the Nova Scotia Department of Finance formalizes the Board's funding arrangements. The agreement took effect on April 1, 1998.

Under the MOU, the Board estimates projected lending requirements on a quarterly basis. Funding is provided by the Department of Finance. Interest rates and terms are determined at the time funds are requested by the Board.

**NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

2. continued

Funding is maintained to cover the Board's investment in loans receivable and real estate. The Board tracks the draws arranged with the Department of Finance and computes the interest cost based on the terms of these draws. Interest is charged to the Board for the draws on the assumption that the funds are borrowed by the Province to lend to the Board.

Also, under the terms of the MOU, the Board is entitled to set aside 20% of its income or loss before government contributions as retained earnings. Funds related to retained earnings are included in "Due from the Province of Nova Scotia" or "Due to the Province of Nova Scotia" and may be used by the Board for specific stated purposes; subject to the approval of the Department of Finance.

i) Interest recognition

Interest income is recorded on an accrual basis until such time as a loan is classified as impaired. The loan reverts to an accrual status when all provisions for impairment are reversed and the ultimate collection of the principal and interest is reasonably assured.

j) Fee revenue

All loan related fees are reported as revenue in the period in which they were earned.

k) Measurement uncertainty

Preparation of the Board's financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported. Significant assumptions are required in the determination of the provisions for impaired loans and real estate. Actual results may differ from the amounts recorded in the financial statements and these differences may be material.

l) Risk management

Credit Risk

The risk that clients may not pay amounts owing on loans and lease accounts, resulting in a loss to the Board, is managed through an initial assessment of the client's ability to pay, and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments due to cyclical industry, or other temporary difficulties, it is the Board's policy to work with clients on an individual basis to provide time for recovery. See Note 5 for additional loan information.

**NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

2. continued

Liquidity Risk

The Province of Nova Scotia provides funding and cash management services to the Board. There is no risk that funds will be unavailable to meet lending commitments except to the extent of legislative and budgetary limitations on lending authority as identified in Note 1.

Interest Rate Risk

In order to mitigate the risk that future changes in interest rates may affect net interest revenue, the Board attempts to match terms of loans offered with those of funds drawn through the Province. All loans provide for an optional 10% repayment at any time during each calendar year and an optional full repayment on each 5 year anniversary. All loans are contracted for the full term of their amortization which may range from 1 to 30 years. Funds drawn through the Province provide for 10% annual and 5 year full optional repayments.

Life Insurance Risk

The Board requires borrowers to participate in a group life insurance program administered by the Board unless the borrower has arranged alternative life insurance coverage. The net annual gain or loss under the contract with the insurance provider (premium revenue less the cost of life insurance claims) to a maximum of \$250,000 on any claim, plus administrative costs, are costs or revenues of the Board and may vary from year to year.

3. **Interest and Other Receivables (net)**

Includes receivables for loan interest, lease fees, life insurance premiums and taxes. The provision for impairment adjusts the value to the anticipated amount recoverable.

	2007	2006
	(\$ thousands)	
Interest, lease fees, life insurance premiums, taxes receivable	\$ 3,890	\$ 4,447
Less: provision for impairment	<u>331</u>	<u>428</u>
Interest and other receivables (net)	<u>\$ 3,559</u>	<u>\$ 4,019</u>

NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

4. Due to the Province of Nova Scotia

The balance represents amounts accumulated in accordance with the memorandum of understanding with the Department of Finance (Note 2h) net of deposits held by Sun Life Assurance Company of Canada on behalf of the Board (Note 2a).

	2007	2006
	(\$ thousands)	
Amounts held by the Province of Nova Scotia.	\$ 1,323	\$ 1,575
Less:		
Deposits held by Sun Life Assurance Company of Canada and also due to the Province of Nova Scotia.	<u>1,683</u>	<u>1,680</u>
Due to the Province of Nova Scotia	<u>\$ (360)</u>	<u>\$ (105)</u>

5. Loans Receivable

Summarized below are anticipated loan repayments based on loan payment schedules and maturities. Values represent the book value of loan funds disbursed less principal repayments to date. The provision for loan impairment adjusts the value of loans to their anticipated recoverable amounts. Government approval for write-off is requested after all security has been realized and a deficiency remains.

	2007			
	(\$ thousands)			
	Under 1 Year	1-5 Years	Over 5 Years	Total
Farm loans	\$ 16,630	\$ 48,384	\$ 97,677	\$ 162,691
Timber loans	<u>99</u>	<u>307</u>	<u>206</u>	<u>612</u>
Total performing loans	<u>\$ 16,729</u>	<u>\$ 48,691</u>	<u>\$ 97,883</u>	163,303
Average effective annual interest rate	6.09%	6.15%	6.19%	
Add: principal receivable on impaired loans (excluded from above)				<u>21,832</u>
Total principal				185,135
Less: provision for loan impairment				<u>5,028</u>
Loans receivable (net)				<u>\$ 180,107</u>

NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

5. continued

2006				
(\$ thousands)				
	Under 1 Year	1-5 Years	Over 5 Years	Total
Farm loans	\$ 14,414	\$ 53,372	\$ 98,354	\$ 166,140
Timber loans	117	397	276	790
Total performing loans	<u>\$ 14,531</u>	<u>\$ 53,769</u>	<u>\$ 98,630</u>	166,930
Average effective annual interest rate	6.17%	6.21%	6.24%	
Add: principal receivable on impaired loans (excluded from above)				<u>10,816</u>
Total principal				177,746
Less: provision for loan impairment				<u>3,393</u>
Loans receivable (net)				<u>\$ 174,353</u>

	2007		2006	
Sector Distribution (performing loans)		(\$ thousands)		
Dairy	\$ 52,742	32.3%	\$ 51,090	30.7%
Poultry	28,486	17.3%	26,604	15.9%
Hog	10,051	6.2%	18,778	11.2%
Beef	12,755	7.8%	11,249	6.7%
Vegetables and other crops	7,769	4.8%	6,807	4.1%
Blueberries	10,297	6.3%	8,875	5.3%
Greenhouse	8,401	5.1%	9,645	5.8%
Fur	8,251	5.1%	7,777	4.7%
Apple	6,658	4.1%	5,484	3.3%
Other fruit	4,272	2.6%	3,571	2.1%
Timber	612	0.4%	791	0.5%
Other	<u>13,009</u>	8.0%	<u>16,259</u>	9.7%
	<u>\$ 163,303</u>	100.0%	<u>\$ 166,930</u>	100.0%

NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

6. Real Estate

	2007	2006
	(\$ thousands)	
Real estate held for resale	\$ 4,067	\$ 4,435
Less: provision for impairment	<u>2,768</u>	<u>3,762</u>
Net real estate held for resale	<u>1,299</u>	<u>673</u>
Real estate held for long-term use		
Land bank	805	1,203
Land consolidation		
Agriculture and Rural Development Agreement (ARDA)	37	37
Less Federal Government share of ARDA properties	(18)	(19)
Property used by NS Agricultural College and Community Pastures	<u>713</u>	<u>756</u>
Total property acquired for long-term use	<u>1,537</u>	<u>1,977</u>
Real estate (net)	<u>\$ 2,836</u>	<u>\$ 2,650</u>

7. Provision for Impairment

	2007 (\$ thousands)			2006 (\$ thousands)		
	Loans	Real Estate	Total	Loans	Real Estate	Total
Provision, beginning of year						
Principal	\$ 3,393	\$ 3,762	\$ 7,155	\$ 3,173	\$ 4,603	\$ 7,776
Interest	<u>295</u>	<u>133</u>	<u>428</u>	<u>459</u>	<u>198</u>	<u>657</u>
	3,688	3,895	7,583	3,632	4,801	8,433
Write-offs	-	(1,527)	(1,527)	-	(1,178)	(1,178)
Current year adjustments	<u>1,566</u>	<u>505</u>	<u>2,071</u>	<u>56</u>	<u>272</u>	<u>328</u>
Provision, end of year	<u>\$ 5,254</u>	<u>\$ 2,873</u>	<u>\$ 8,127</u>	<u>\$ 3,688</u>	<u>\$ 3,895</u>	<u>\$ 7,583</u>

NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

7. continued

	2007			2006		
	(\$ thousands)			(\$ thousands)		
	Loans	Real Estate	Total	Loans	Real Estate	Total
Principal/interest distribution of provision						
Principal	\$ 5,028	\$ 2,768	\$ 7,796	\$ 3,393	\$ 3,762	\$ 7,155
Interest	<u>226</u>	<u>105</u>	<u>331</u>	<u>295</u>	<u>133</u>	<u>428</u>
Total	<u>\$ 5,254</u>	<u>\$ 2,873</u>	<u>\$ 8,127</u>	<u>\$ 3,688</u>	<u>\$ 3,895</u>	<u>\$ 7,583</u>
Distribution of specific provision						
Principal	\$ 3,839	\$ 2,768	\$ 6,607	\$ 2,174	\$ 3,762	\$ 5,936
Interest	<u>217</u>	<u>105</u>	<u>322</u>	<u>287</u>	<u>133</u>	<u>420</u>
Total	<u>4,056</u>	<u>2,873</u>	<u>6,929</u>	<u>2,461</u>	<u>3,895</u>	<u>6,356</u>
Distribution of general provision						
Principal	1,189	-	1,189	1,219	-	1,219
Interest	<u>9</u>	<u>-</u>	<u>9</u>	<u>8</u>	<u>-</u>	<u>8</u>
Total	<u>1,198</u>	<u>-</u>	<u>1,198</u>	<u>1,227</u>	<u>-</u>	<u>1,227</u>
Total	<u>\$ 5,254</u>	<u>\$ 2,873</u>	<u>\$ 8,127</u>	<u>\$ 3,688</u>	<u>\$ 3,895</u>	<u>\$ 7,583</u>
Loan distribution						
Loans and real estate for which a specific provision has been identified:						
			\$ 25,900			\$ 15,251
Remaining loans against which a general provision has been established:						
			<u>164,839</u>			<u>168,907</u>
Total			<u>\$ 190,739</u>			<u>\$ 184,158</u>

**NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

8. Sector distribution of specific provision for loan principal impairment

	2007		2006	
	(\$ thousands)			
	Principal of Impaired Loans	Provision	Principal of Impaired Loans	Provision
Dairy	\$ -	\$ -	\$ -	\$ -
Poultry	-	-	-	-
Hog	10,537	2,162	1,335	361
Beef	2,520	297	2,847	588
Vegetables & other crops	850	177	555	323
Blueberries	435	1	510	11
Greenhouse	1,715	333	363	43
Fur	1,576	281	1,468	355
Apple	330	7	282	11
Other fruit	1,227	324	368	153
Timber	-	18	-	47
Other	<u>2,642</u>	<u>239</u>	<u>3,088</u>	<u>282</u>
Total specific provision on loan principal	<u>\$ 21,832</u>	3,839	<u>\$ 10,816</u>	2,174
General provision on loan principal		<u>1,189</u>		<u>1,219</u>
Total provision on loan principal		<u>\$ 5,028</u>		<u>\$ 3,393</u>

9. Advances from the Province of Nova Scotia

Advances are provided by the Province of Nova Scotia to fund loans issued by the Farm Loan Board. Interest is calculated in accordance with a memorandum of understanding with the Department of Finance (Note 2h).

**NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

10. Commitments and Contingencies

The Board will hold interest rates for ninety days for any client from the date of receipt of a loan application.

As at March 31, 2007, the Board had authorized loans of \$1,532,515 which had not been disbursed.

The average loan interest rate on outstanding approved commitments at March 31, 2007 was 6.09%.

The Board is aware of an environmental issue on one property in the Board's possession at March 31, 2007. Remaining clean-up costs are estimated to be \$23,500 but may rise to \$110,000 if current measures are not effective and soil is required.

There were no legal claims being pursued against the Board as at March 31, 2007.

11. Operating Expenses

	2007	2006
	(\$ thousands)	
Salaries	\$ 1,081	\$ 1,020
Supplies and services	50	49
Travel	55	55
Training and development	5	9
Professional/special services	71	277
Equipment and other	<u>26</u>	<u>25</u>
	<u>\$ 1,288</u>	<u>\$ 1,435</u>

Government provides an annual contribution equal to operating expenses.

**NOVA SCOTIA FARM LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

12. Related Party Transactions

The Board is related to all other departments, agencies, boards, and commissions of the Province of Nova Scotia. The Nova Scotia Department of Finance is the sole source of funding for loans (See Note 2h). Property used by the Nova Scotia Agricultural College is property purchased by the Board for College use and will eventually be transferred to another government department. Transactions with other Provincial entities were entered into in the normal course of business.

13. Pension and post-retirement benefits

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Province of Nova Scotia and any unfunded liability, as well as other obligations related to post-retirement benefits are the responsibility of the Province. It is not anticipated that any such future costs would be allocated to the Board.

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
FINANCIAL STATEMENTS
MARCH 31, 2007**

**Office of the Auditor General**

1888 Brunswick Street, Suite #302, Halifax, Nova Scotia B3J 3J8 • Telephone 902 424-5907 • Fax 902 424-4350 • www.gov.ns.ca/audg

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Fisheries and Aquaculture

I have audited the balance sheet of the Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2007 and the statements of revenues, expenses and accumulated surplus, and continuity of fund for the year then ended. These financial statements are the responsibility of the Loan Board's management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'JR Lapointe'.

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
May 11, 2007

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
BALANCE SHEET
MARCH 31, 2007**

ASSETS		2007	2006
Loans receivable (Note 5)	\$ 83,502,860	\$ 79,992,382	
Interest receivable	2,251,881	1,889,417	
Due from Consolidated Fund of the Province (Note 8)	<u>52,445,558</u>	<u>55,942,372</u>	
	<u>\$ 138,200,299</u>	<u>\$ 137,824,171</u>	

LIABILITIES AND FUND BALANCE

Liabilities

Applicants' funds on deposit	\$ 128,149	\$ 64,485
Payable to bank (Note 9)	100,000	100,000
Due to Consolidated Fund of the Province	<u>2,251,881</u>	<u>1,889,417</u>
	2,480,030	2,053,902

Fisheries and Aquaculture Development Fund	<u>135,720,269</u>	<u>135,770,269</u>
	<u>\$ 138,200,299</u>	<u>\$ 137,824,171</u>

Commitments (Note 9)

The accompanying notes are an integral part of these financial statements

APPROVED ON BEHALF OF THE BOARD

Chair

Member

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
STATEMENT OF REVENUES, EXPENSES AND
ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2007**

	Budget 2007	Actual 2007	Actual 2006
Revenues			
Interest income	\$ 5,900,000	\$ 6,040,668	\$ 5,887,202
Loan fees	106,700	<u>111,901</u>	<u>102,215</u>
		<u>6,152,569</u>	<u>5,989,417</u>
Expenses			
Interest expense (Note 10)	-	3,818,963	3,796,642
Salaries and benefits (net of recoveries)	511,500	459,872	535,503
Board honoraria	7,600	4,000	4,450
Travel	52,300	59,762	48,039
Office expense	17,200	39,931	40,149
Bad debt expense (net of recoveries)	50,000	<u>49,911</u>	<u>44,974</u>
		<u>4,432,439</u>	<u>4,469,757</u>
Operating Surplus before Government contributions		1,720,130	1,519,660
Government contributions (Note 11)		<u>4,432,439</u>	<u>4,469,757</u>
Surplus		6,152,569	5,989,417
Distribution to Consolidated Fund of the Province		<u>6,152,569</u>	<u>5,989,417</u>
Accumulated Surplus, end of year		<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
STATEMENT OF CONTINUITY OF FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	2007	2006
Fisheries and Aquaculture Development Fund, beginning of year	\$ 135,770,269	\$ 135,820,269
Deduct: Bad debt expense (Note 2b)	<u>50,000</u>	<u>50,000</u>
Fisheries and Aquaculture Development Fund, end of year	<u>\$ 135,720,269</u>	<u>\$ 135,770,269</u>
Comprising:		
Loans receivable (Note 5)	\$ 83,502,860	\$ 79,992,382
Loans authorized but unadvanced (Note 8)	2,236,809	3,366,091
Funds available for additional loans (Note 8)	50,080,600	52,511,796
Payable to bank (Note 9)	<u>(100,000)</u>	<u>(100,000)</u>
	<u>\$ 135,720,269</u>	<u>\$ 135,770,269</u>

The accompanying notes are an integral part of these financial statements

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

1. Authority

The Fisheries and Aquaculture Development Fund is established pursuant to Section 34 of the Fisheries and Coastal Resources Act. The purpose of the Fund is to finance the loans and guarantees of the Nova Scotia Fisheries and Aquaculture Loan Board.

The objective and purpose of the Board is to make loans and guarantees of loans to fishermen, aquaculturists, companies, cooperatives, associations or other persons in order to encourage, sustain, improve and develop the fishing industry in the Province.

Principal in loans outstanding is limited by Order-in-Council to \$150 million, less \$14.3 million in bad debts since the inception of the fund. Maximum advances disbursed in any given year are established through the annual budgeting process, which requires approval of government. For the year ended March 31, 2007, maximum new advances were \$20 million (2006 - \$25 million).

Loans in excess of \$.5 million, and any loan write-offs, require approval by Governor-in-Council.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following are the significant accounting policies used in the preparation of these financial statements.

(a) Revenues

Revenues are recorded on the accrual basis. The main components of revenue are interest and various fees for loans and guarantees. Interest on impaired loans is not recorded in the financial statements.

(b) Expenses

Expenses are recorded on the accrual basis. Net expenses include recoveries which are directly related to the expenses and are not normally considered to be revenues.

Provisions are made for probable losses on certain loans and loan guarantees, and recorded in the statement of revenues, expenses and accumulated surplus as bad debt expense. Bad debt expense also reduces the balance of the

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

2. Significant Accounting Policies (continued)

Fisheries and Aquaculture Development Fund. Recoveries of bad debts do not increase the Fund balance.

(c) Loans Receivable

Loans receivable are recorded at the principal amount of loans outstanding less an allowance for loan impairment. Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. The allowance for loan impairment represents management's best estimate of losses due to impaired loans in the Board's portfolio. It is determined based on management's review of individual loan accounts and identification of problem accounts.

Loan write-offs must be approved by the Governor-in-Council.

Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

(d) Statement of Cash Flow

No statement of cash flow is included in these financial statements because the Board has no cash accounts and the statement would not provide useful information.

3. Measurement Uncertainty

Preparation of the Board's financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported. Significant assumptions are required in the determination of the allowance for impaired loans. Actual results may differ from the amounts recorded in the financial statements and these differences may be material.

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

4. Credit and Interest Rate Risk

Credit Risk

The risk that clients may not pay amounts owing on loans, resulting in a loss to the Board, is managed through an initial assessment of the client's ability to pay, and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments due to a cyclical industry, or other temporary difficulties, it is the Board's policy to work with clients on an individual basis to provide time for recovery. See Note 5 for additional loan information.

Interest Rate Risk

In order to mitigate the risk that future changes in interest rates may affect net interest revenue, the Board attempts to match terms of loans offered with those of funds drawn through the Province.

5. Loans Receivable

	2007	2006
Principal due on fishery loans:		
Performing loans	\$ 82,127,028	\$ 78,903,438
Impaired loans	223,842	237,415
Allowance for impaired fishery loans	(147,114)	(172,918)
Principal due on aquaculture loans:		
Performing loans	1,299,104	1,024,447
Impaired loans	281,875	1,200,459
Allowance for impaired aquaculture loans	<u>(281,875)</u>	<u>(1,200,459)</u>
Net loans receivable	<u>\$ 83,502,860</u>	<u>\$ 79,992,382</u>

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

5. Loans Receivable (continued)

Summarized below are anticipated loan repayments based on loan payment schedules and maturities. Values represent the book value of loan funds disbursed less principal repayments to date. The provision for loan impairment adjusts the value of loans to their anticipated recoverable amounts.

	2007			Total
	Year 1	Years 2-5	Beyond 5 Years	
Total performing loans	\$ 9,556,923	\$ 30,498,642	\$ 43,370,567	\$ 83,426,132
Weighted average interest rate	7.22%	7.19%	6.98%	
Add: principal receivable on impaired loans				<u>505,717</u>
Total principal				83,931,849
Less: allowance for loan impairment				<u>428,989</u>
Net loans receivable				<u>\$ 83,502,860</u>

	2006			Total
	Year 1	Years 2-5	Beyond 5 Years	
Total performing loans	\$ 8,773,387	\$ 28,737,754	\$ 42,416,744	\$ 79,927,885
Weighted average interest rate	7.40%	7.33%	7.11%	
Add: principal receivable on impaired loans				<u>1,437,874</u>
Total principal				81,365,759
Less: allowance for loan impairment				<u>1,373,377</u>
Net loans receivable				<u>\$ 79,992,382</u>

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

6. Allowance for Loan Impairment

Continuity 2007	Fisheries Loans	Aquaculture Loans	Total Loans
Allowance , beginning of year	\$ 172,918	\$ 1,200,459	\$ 1,373,377
Write-offs	(75,804)	(918,584)	(994,388)
Current year adjustment	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Allowance , end of year	<u>\$ 147,114</u>	<u>\$ 281,875</u>	<u>\$ 428,989</u>

Continuity 2006	Fisheries Loans	Aquaculture Loans	Total Loans
Allowance , beginning of year	\$ 122,918	\$ 1,200,459	\$ 1,323,377
Current year adjustment	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Allowance , end of year	<u>\$ 172,918</u>	<u>\$ 1,200,459</u>	<u>\$ 1,373,377</u>

7. Write Offs, Recoveries and Repossessions

Loans of \$994,388 were written off during the year ended March 31, 2007. Order in Council 2006-138 approved \$743,611 in loan write offs and Order in Council 2007-188 approved a further \$250,777. During the year the Board recovered \$89 related to loans that were previously written off. The Board repossessed security held against one loan during the year that did not cover 100% of the value of the loan. The remaining value of the loan at March 31, 2007 was \$105,518 and there was an allowance of \$83,674 against it.

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

8. Due from Consolidated Fund of the Province

The portion of the Fisheries and Aquaculture Development Fund that has not been advanced as loans is maintained in the Consolidated Fund of the Province. The maximum amount disbursed in any given year is established through the annual budgeting process, which requires approval by government (Note 1). Deposits provided to the Board by loan applicants are also maintained in the Consolidated Fund. Financial commitments made by the Board reduce the amount of this account which is available for additional loans.

	2007	2006
Board commitments (Note 9)		
Loans authorized but unadvanced	\$ 2,236,809	\$ 3,366,091
Applicants' funds on deposit	128,149	64,485
Funds available for additional loans (Note 1)	<u>50,080,600</u>	<u>52,511,796</u>
	<u>\$ 52,445,558</u>	<u>\$ 55,942,372</u>

9. Commitments

Commitments include loans of \$2,236,809 (2006 - \$3,366,091) which were approved by the Board but not advanced by year end.

On August 30, 1995 the government's Priorities and Planning Committee approved the Nova Scotia Aquaculture Development Strategy. On April 1, 1996 the aquaculture loan and guarantee program was transferred from the former Nova Scotia Economic Renewal Agency to the Board, along with \$1 million of existing loan guarantees. The strategy provided approval for capital advances and guarantees of \$2.0 million per year, until March 31, 2001. For the year ended March 31, 2007, one guarantee valued at \$100,000 remains payable to the bank.

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

10. Interest Expense

Loans provided by the Board are funded through advances from the Consolidated Fund of the Province. Interest is charged to the Board for these advances on the assumption that the funds are borrowed by the Province to lend to the Board. Interest expense is calculated by the Board based on an estimate by the Department of Finance of the rate at which the Province could borrow funds over the next quarter. The Board does not prepare an annual budget for interest expense.

11. Contributions and Surplus

Administration expenses of the Board totalling \$613,476 for the year ended March 31, 2007 were paid by the Department of Fisheries and Aquaculture on behalf of the Board. Interest expense on funds borrowed to make loans is an expense of the Department of Finance. Accordingly these expenses are included in Government Contributions in the Statement of Revenues, Expenses and Accumulated Surplus.

12. Pension and Post-Retirement Benefits

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Government of Nova Scotia and any unfunded liability, as well as other obligations related to post-retirement benefits, are the responsibility of the Province.

13. Related Party Transactions

The Board provided a loan in the amount of \$350,000 to a company of which a board member is the president. The loan was provided on terms and conditions that would be similar to those of non-related parties and was approved by the Minister of Fisheries and Aquaculture.

The Board is related to all other departments, agencies, boards, and commissions of the Province of Nova Scotia. The Consolidated Fund of the Province is the sole source of funding for loans (see Note 8). Transactions with Provincial entities were entered into in the normal course of business.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
MARCH 31, 2007**

**Levy
Casey
Carter
MacLean**
Chartered Accountants

AUDITORS' REPORT

TO THE MEMBERS OF THE BOARD OF THE NOVA SCOTIA FILM DEVELOPMENT CORPORATION:

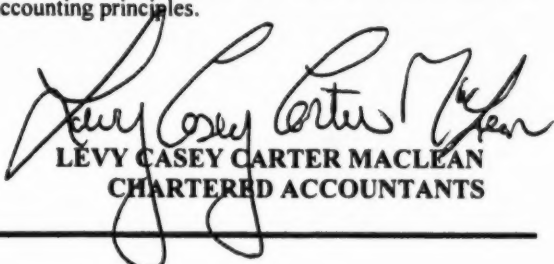
We have audited the statement of financial position of Nova Scotia Film Development Corporation as at March 31, 2007 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

C. Ross Casey Inc.
Terry Carter Ltd.
Stuart S. MacLean Inc.
J.E. Melvin Inc.
Greg T. Strange Inc.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
May 15, 2007



LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**STATEMENT OF FINANCIAL POSITION
MARCH 31, 2007**

ASSETS

	<u>2007</u>	<u>2006</u>
Current		
Cash and short term investments	\$ 1,606,129	\$ 1,262,651
Other receivables	59,511	167,025
Prepaid expenses	<u>13,589</u>	<u>19,677</u>
	1,679,229	1,449,353
Due from Province of Nova Scotia (note 2(e))	15,270	11,570
Property and equipment (note 3)	<u>4,966</u>	<u>8,861</u>
	<u>\$ 1,699,465</u>	<u>\$ 1,469,784</u>

LIABILITIES

Current		
Payables and accruals, trade	\$ 30,132	\$ 32,959
Commitments payable (note 4)	1,619,746	1,372,235
Deferred revenue	<u>33,629</u>	<u>52,320</u>
	1,683,507	1,457,514
Employee future benefits (note 2(e))	<u>15,270</u>	<u>11,570</u>
	<u>1,698,777</u>	<u>1,469,084</u>

NET ASSETS

Net assets unrestricted	<u>688</u>	<u>700</u>
	<u>\$ 1,699,465</u>	<u>\$ 1,469,784</u>

Approved on behalf of the Board

Chair

Member

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
Revenue		
Contributions from the Department of Economic Development	\$ 3,135,700	\$ 3,108,700
Employee future benefits grant - Province of Nova Scotia	3,700	2,910
Recovery of equity investments and development loans (notes 6 & 7)	498,494	422,856
Contributions from ACOA - Atlantic Film Partners	35,155	40,929
- Media Business Program	44,341	-
Interest and other income	<u>130,879</u>	<u>140,560</u>
	<u>3,848,269</u>	<u>3,715,955</u>
Expenditures		
Equity investments (note 6)	2,749,890	2,573,804
Project development loans (note 7)	104,884	186,271
Special projects	291,904	328,254
Advertising and marketing (page 8)	239,680	200,560
Administrative expenses (page 8)	<u>461,923</u>	<u>427,045</u>
	<u>3,848,281</u>	<u>3,715,934</u>
Excess (deficiency) of revenues over expenditures	(12)	21
Net assets, beginning of year	<u>700</u>	<u>679</u>
Net assets, end of year	\$ <u>688</u>	\$ <u>700</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

1. Authority

The Nova Scotia Film Development Corporation was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Industry Tax Credit Program, including review of tax credit applications.

2. Significant accounting policies

a) Statement of Cash Flows

A statement of cash flows is not provided since disclosure in the statement of operations and changes in net assets is considered adequate.

b) Program Loans and Equity Investment

Program loans and equity participation are recorded as a liability and charged to current expenditures when the funding is formally committed. Recoveries derived from equity investments and development loans are recorded as revenue when received. It is not feasible to accrue recoveries from equity investments and project development loans since these recoveries remain uncertain until received, as they are based upon the financial results of the recipients' activities.

c) Amortization

Amortization is calculated using the declining balance method, at rates based on the estimated useful life of the assets, as indicated in note 3.

d) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

e) Employee Future Benefits

The Corporation has adopted the method of accounting for employee future benefits required by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The main components of this accounting policy are costs for employee future benefits, other than pensions, are accrued over the periods in which the employees render services. These benefits are for health insurance programs. A liability for employee future benefits of \$15,270 (2006 - \$11,570) has been included in the financial statements. The liability as at March 31, 2007 and 2006 has been assumed by the Province of Nova Scotia so an offset of the same amount has been recorded as a receivable from the Province of Nova Scotia. The current year's expense incurred for these future employee benefits is \$3,700 (2006 - \$2,910).

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

2. Significant accounting policies (cont'd)

f) Comparative figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

g) Revenue Recognition

Unrestricted contributions are recognized as revenue when received or receivable.

Recovery of equity investments and development loan revenue is recorded as received.

Investment and other income is recorded in the period in which the related income is earned.

3. Property and equipment

	<u>2007</u>			<u>2006</u>	
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	50%	\$ 15,942	\$ 14,072	\$ 1,870	\$ 3,740
Computer software	50%	18,356	16,689	1,667	3,334
Equipment	20%	<u>3,317</u>	<u>1,888</u>	<u>1,429</u>	<u>1,787</u>
		<u>\$ 37,615</u>	<u>\$ 32,649</u>	<u>\$ 4,966</u>	<u>\$ 8,861</u>

4. Commitments payable

The Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods due to the lead times required to obtain all the resources necessary to complete film and video productions.

5. Costs Paid by the Province of Nova Scotia

During the year, services were provided to the Corporation by government departments and the estimated value of these services is as follows:

	<u>2007</u>	<u>2006</u>
Legal services	\$ 50,000	\$ 60,000
Rent	<u>25,000</u>	<u>25,000</u>
	<u>\$ 75,000</u>	<u>\$ 85,000</u>

The value of these services is not reflected in these financial statements.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

6. Equity investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as received.

During the year the Corporation received \$461,774 (2006 - \$333,698) in the recovery of equity investments. The total of equity investments of the Corporation to March 31, 2007 is \$30,442,621 (2006 - \$27,692,731). As at March 31, 2007, \$2,370,689 has been recouped.

7. Project Development Loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. Project development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party. Total development loans outstanding on March 31, 2007 were \$2,143,362 (2006 - \$2,039,728). Development loans of \$36,720 (2006 - \$89,158) were recouped during the year.

8. Public Service Superannuation Fund

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The Public Service Superannuation Fund is administered by the Department of Finance. During the year, the Corporation contributed \$25,015 to the fund (2006 - \$22,836).

9. Economic Dependence and Related Party Transactions

The Province of Nova Scotia is a related party of the Corporation. The Corporation is dependent on the Department of Economic Development for annual funding. Details of any transactions between these related parties are separately disclosed.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

10. Financial Instruments

a) Fair value of financial instruments

Financial instruments of the company consist mainly of cash and short term investments, other receivables and accounts payable and accrued liabilities. The carrying values of these financial assets and financial liabilities approximate their fair values.

b) Interest rate risk

The corporation manages its temporary investments based on its cash flow needs and with a view to optimizing its interest income.

The effective interest rate on the temporary investments during the year varied from 3.36% to 4.08% (2006 - 2.28% to 3.36%). The interest rate at the end of the year was 4.08% (2006 - 3.36%) with investments held in money market funds.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**SCHEDULE OF ADVERTISING AND MARKETING EXPENSES
AND SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
Advertising and Marketing Expenses:		
Advertising	\$ 37,584	\$ 24,824
Amortization	2,142	4,283
Annual report	3,643	2,638
Business travel and expenses	45,771	38,337
Familiarization tour and marketing materials	18,739	11,183
Locations library	6,194	7,023
Location scout	14,850	9,000
Photos/location services	12,045	9,618
Production guide, net of receipts of \$39,519 (2006 - \$44,503)	(4,257)	(1,710)
Salaries and benefits	<u>102,969</u>	<u>95,364</u>
	\$ <u>239,680</u>	\$ <u>200,560</u>
Administrative Expenses:		
Amortization	\$ 1,752	\$ 3,236
Bank charges	1,986	1,794
Board honorarium and expenses	15,403	17,108
Conference/marketing	2,796	2,111
Consultants	9,550	5,400
Courier services	800	668
Dues, fees and subscriptions	10,701	8,172
Insurance	2,391	2,369
Office supplies	27,882	15,830
Photocopier	2,591	2,152
Postage	2,286	2,712
Professional fees	6,100	5,350
Salaries and benefits	361,679	342,079
Staff training	7,411	8,652
Telephone and fax	<u>8,595</u>	<u>9,412</u>
	\$ <u>461,923</u>	\$ <u>427,045</u>

NOVA SCOTIA GAMING CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2007

MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

These financial statements are the responsibility of the management of Nova Scotia Gaming Corporation. They have been approved by its Board of Directors.

Management has prepared the financial statements in accordance with generally accepted accounting principles in Canada. The financial information contained in the Annual Report is consistent with the data presented in the financial statements.

The gaming activities of Nova Scotia Gaming Corporation are undertaken by operators acting on its behalf. These gaming activities are audited by independent auditors. The Corporation relies on the audit opinions of these independent auditors. The responsibility of the Auditor General of Nova Scotia is to express an independent opinion on whether the financial statements of Nova Scotia Gaming Corporation are stated fairly, in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Nova Scotia Gaming Corporation maintains books of accounts and systems of financial and management control, which provide reasonable assurance that accurate financial information is available, that assets are protected, and that resources are managed efficiently.

The Board of Directors oversees audit activities through its audit committee. The committee reviews matters related to accounting, auditing and internal control systems, and the financial statements and audit reports of the auditors of the Corporation and its operators.

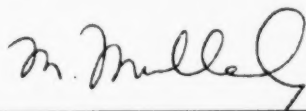
CERTIFICATION FOR THE YEAR ENDED MARCH 31, 2007

We have evaluated the effectiveness of Nova Scotia Gaming Corporation's disclosure controls and procedures as of the end of the year covered by the 2006-07 Annual Report. Except as discussed in the following two paragraphs, we conclude that such disclosure controls and procedures are effective to ensure that the information required to be disclosed is accumulated and communicated to management, including the President & Chief Executive Officer and the Vice President, Finance.

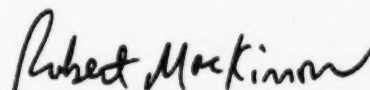
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney Casinos and certain balances, including revenues, associated with those businesses are included in the financial statements.

NSGC's evaluation did not include disclosure controls and procedures and internal controls over financial reporting performed by the Atlantic Lottery Corporation (ALC), and therefore is not intended to identify and report any deficiencies in internal control that might exist at ALC. NSGC has contracted ALC to operate the Video and Ticket Lottery businesses and the revenue, expenses, assets and liabilities associated with those businesses are included in the financial statements.

During the period beginning on April 1, 2006 and ended on March 31, 2007, NSGC has not made any changes in its internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.



Marie T. Mullally, FCA



Robert MacKinnon, CA

AUDITOR'S REPORT



Office of the Auditor General

OFFICE OF THE AUDITOR GENERAL

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of Nova Scotia Gaming Corporation as at March 31, 2007, the statement of income and payment to Province, the statement of retained earnings and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'JR Lapointe', with a long horizontal flourish extending to the right.

Jacques R. Lapointe, CA •CIA
Auditor General
Halifax, Nova Scotia
May 25, 2007

BALANCE SHEET
AS AT MARCH 31 (IN THOUSANDS)

ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT		
Cash and short-term investments (Note 3)	\$ 7,645	\$ 10,852
Cash – restricted (Note 2)	1,815	2,636
Inventory, at cost	1,729	1,727
Prepays	<u>758</u>	<u>292</u>
	<u>11,947</u>	<u>15,507</u>
LONG-TERM		
Cash - Casino Capital Replacement Reserve (Notes 3 and 4)	86	1,453
Deferred charges (Note 2)	54	204
Investment in Atlantic Lottery Corporation Inc. (Notes 2 and 5)	1	1
Investment in Interprovincial Lottery Corporation (Notes 2 and 6)	1	1
Capital assets (Notes 2 and 7)	<u>94,564</u>	<u>103,673</u>
	<u>94,706</u>	<u>105,332</u>
	\$ <u>106,653</u>	\$ <u>120,839</u>

LIABILITIES

CURRENT		
Accounts payable	\$ 3,126	\$ 2,105
Deferred lottery revenue (Note 2)	244	486
Liabilities for unclaimed prizes (Note 2)	1,815	2,636
Capital obligation - current portion (Note 8)	12,710	15,544
Due to operators (Note 9)	5,628	5,681
Due to Atlantic Gaming Equipment Limited - current portion (Note 10)	5,378	12,515
Due to Nova Scotia Gaming Foundation (Note 2)	55	59
Due to Province of Nova Scotia	<u>53,910</u>	<u>42,870</u>
	<u>82,866</u>	<u>81,896</u>
LONG-TERM		
Due to Atlantic Gaming Equipment Limited (Note 10)	5,714	7,043
Capital obligation (Note 8)	<u>11,340</u>	<u>23,281</u>
	<u>17,054</u>	<u>30,324</u>

EQUITY

Casino Capital Replacement Reserve (Note 4)	<u>6,733</u>	<u>8,619</u>
	\$ <u>106,653</u>	\$ <u>120,839</u>

Commitments (Notes 3, 12, 14 and 16)

Approved on behalf of the Board,

John Khattar
Director

See accompanying notes to the financial statements

STATEMENT OF INCOME AND PAYMENT TO PROVINCE
FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

REVENUE	<u>2007</u>	<u>2006</u>
Ticket lottery (<i>Schedule I</i>)	\$215,124	\$ 210,677
Video lottery (<i>Schedule I</i>)	151,304	182,205
Halifax casino (<i>Schedule II</i>)	75,313	74,378
Sydney casino (<i>Schedule III</i>)	22,954	21,314
Other (<i>Schedule IV</i>)	<u>360</u>	<u>278</u>
	<u>465,055</u>	<u>488,852</u>
 EXPENSES		
Ticket lottery (<i>Schedule I</i>)	167,481	171,076
Video lottery (<i>Schedule I</i>)	55,601	64,813
Halifax casino (<i>Schedule II</i>)	66,642	67,402
Sydney casino (<i>Schedule III</i>)	17,978	17,522
Responsible gambling	3,143	2,407
Other (<i>Schedule IV</i>)	<u>3,112</u>	<u>2,785</u>
	<u>313,957</u>	<u>326,005</u>
 Net income before distributions	151,098	162,847
 Distributions to Community Programs (<i>Schedule IV</i>)	<u>6,656</u>	<u>5,796</u>
 Net income	144,442	157,051
 Win tax	<u>17,881</u>	<u>17,077</u>
 Payment to Province	<u>\$162,323</u>	<u>\$174,128</u>

See accompanying notes to the financial statements

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	<u>2007</u>	<u>2006</u>
Retained earnings, beginning of year	\$ -	\$ -
Net income	144,442	157,051
Net income paid to Province	<u>(144,442)</u>	<u>(157,051)</u>
Retained earnings, end of year	\$ _____	\$ _____

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

OPERATING	<u>2007</u>	<u>2006</u>
Net income	\$ 144,442	\$ 157,051
Allocation of income to Province	(144,442)	(157,051)
Amortization of capital assets	21,236	23,604
Amortization of deferred charges	150	145
Net changes in working capital (Note 13)	<u>11,294</u>	<u>9,553</u>
	<u>32,680</u>	<u>33,302</u>
 FINANCING		
Decrease in due to Atlantic Gaming Equipment Limited	(8,466)	(9,801)
Reduction of capital obligation	<u>(14,775)</u>	<u>(13,317)</u>
	<u>(23,241)</u>	<u>(23,118)</u>
 INVESTING		
Purchases of capital assets, net of dispositions	(12,127)	(15,159)
Decrease in Casino Capital Replacement Reserve, net of cash decrease	<u>(519)</u>	<u>1,739</u>
	<u>(12,646)</u>	<u>(13,420)</u>
 Net decrease in cash and short-term investments	(3,207)	(3,236)
 Cash and short-term investments, beginning of year	<u>10,852</u>	<u>14,088</u>
 Cash and short-term investments, end of year	<u>\$ 7,645</u>	<u>\$10,852</u>

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

1) DESCRIPTION OF BUSINESS

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

2) ACCOUNTING POLICIES

a) Basis of Presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Casino Revenues

In accordance with industry practice, Casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots.

c) Ticket Lottery Revenues

Gross ticket lottery sales are recorded before deducting sales discounts and prize expense.

Receipts for lottery tickets sold prior to March 31, 2007 for draws held subsequent to that date are recorded as deferred revenue.

d) Video Lottery Revenues

Video lottery revenues are reported as the net revenues from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings.

e) Capital Assets

Capital assets are stated at cost less accumulated amortization.

Amortization of the Corporation's head office capital assets is provided on the declining balance basis at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%

Amortization of the Halifax and Sydney casino assets is recorded on a straight-line basis according to their estimated useful lives at rates between 2.5% and 20%.

Amortization of the Corporation's capital assets used in the operation of its lottery businesses is recorded on the straight-line basis according to their estimated useful lives at rates between 4% and 33%. Leasehold improvements are amortized over the remaining lease term, including one renewal period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

f) Nova Scotia Gaming Foundation Contribution

VLT retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

g) Deferred Charges

The deferred charges relate to payments made to site holders to remove video lottery terminals from certain sites. These costs are being amortized on a straight-line basis over five years.

h) Long-term Investments

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

i) Cash – Restricted and Unclaimed Prizes

Unclaimed prizes from regional lottery games are retained in a prize fund for one year from the announced beginning date of the draw. Prizes of national lottery games are funded by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

j) Prize Expense

Prize expense for regional online games is recorded based on the theoretical prize expense for each game. The actual expense incurred each year will vary from the estimate based on the nature of games of chance. Over the long term it is expected that the actual prize expense will approximate the theoretical expense.

k) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

3) CASINO NOVA SCOTIA

a) Operating Contract

i) Term and Structure

On May 31, 1995, the Corporation entered into an Operating Contract with Metropolitan Entertainment Group, referred to as MEG or the Operator, then a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015.

On July 1, 2005, the Corporation amended and restated the Operating Contract with Metropolitan Entertainment Group (now a partnership between 6364942 Canada Inc. and 6364951 Canada Inc.) to operate casinos in Halifax and Sydney for a period expiring on July 1, 2015, renewable until July 1, 2025, at the Operator's option.

ii) Payments to Operator

Under the Amended and Restated Casino Operating Contract, effective July 1, 2005, the Operator is entitled to certain payments from each casino, calculated with reference to the following items, which are included in Article 7 of the Amended and Restated Casino Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax (\$92.0 million total, \$2.2 million outstanding), to be amortized straight-line over a seven year term, with interest calculated monthly at 12% per annum on the original capital investment outstanding;
- an Operator Fee in the amount equal to 55.5% of total casino revenue after deducting payment to fund a capital replacement reserve;
- an amount based on the Mandatory Deferral (\$24.5 million total, \$21.8 million outstanding) to be repaid over a 4 year term, with interest calculated monthly at Prime + 1% per annum; and,
- an amount based on funds advanced by the Operator to purchase Approved Capital Expenditures, with interest calculated at Prime + 2% per annum.

Prior to July 1, 2005, the Operator was entitled to certain payments from each casino, calculated with reference to the following items, which are listed in Section 4.7 of the original Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax (\$92.0 million total, \$2.2 million outstanding), to be amortized straight-line over a seven year term, with interest calculated monthly at 12% per annum on the total capital investment outstanding;
- an amount equal to not less than 1.5% of casino revenue before casino win taxes (20%) to fund a capital replacement reserve;
- an amount equal to 3% of casino revenue before casino win taxes (20%) in Sydney as a Base Fee and 10% of casino revenue less casino win taxes, the Base Fee and Operating Expenses as an Incentive Fee;
- an amount equal to the Operator's shortfall in any one year that income is insufficient to make payments, as described above with interest calculated monthly at Prime + 1% per annum; and,
- an amount equal to 35% of cash available for distribution in Halifax.

iii) Option to Terminate

Under the Amended and Restated Casino Operating Contract, either the Corporation or the Operator has the option to terminate the Contract. NSGC may terminate the Contract immediately on written notice with cause, or on six months written notice at its option. The Operator may terminate the Contract upon sixty days written notice with cause.

Upon termination the Operator must be repaid the unpaid balance of Payments to Operator, and unamortized balance of Operator's Additional Acquisition Costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

If the Operator terminates the contract, or the Corporation terminates without cause, the Corporation must pay the Operator a Compensation fee calculated as the greater of the net present value of 10% of the Operator fee or Operator's Actual EBITDA for the preceding twelve months.

No compensation fee is payable to the Operator if NSGC terminates the contract for cause.

b) Cash in Casino Accounts

Under the Amended and Restated Casino Operating Contract, total casino revenues are the Corporation's revenue and the casino bank accounts and Capital Reserve accounts (CRA) are owned by the Corporation. The Corporation included \$0.7 million in cash from the casino accounts on the balance sheet at March 31, 2007 (2006 - \$5.0 million).

c) Casino Capital Replacement Reserve

A capital replacement reserve is intended to provide for replacement of casino capital assets. Prior to July 1, 2005 it was based on 1.5% of total casino revenue at the Halifax Casino and 9% at the Sydney Casino. From July 1, 2005 to March 31, 2007, it was based on 5% of total revenues of the casinos. Cash has been segregated on the balance sheet in the amount of \$0.1 million (2006 - \$1.5 million) for this purpose.

4) CASINO CAPITAL REPLACEMENT RESERVE

	Total 2007	Total 2006
<i>(in thousands)</i>		
Cash balance, beginning of year	\$ 1,453	\$ 3,145
Funding	4,856	4,321
Interest	53	32
Proceeds from sale of capital assets	17	-
Capital asset purchases	(6,379)	(10,409)
Reimbursements to MEG for capital asset purchases	(4,850)	-
Interest paid on balance owing to MEG for capital asset purchases	(690)	-
HST related to capital asset purchases and reimbursements	(744)	-
Capital assets purchased by MEG	<u>6,370</u>	<u>4,364</u>
Cash balance, end of year	86	1,453
Add: cumulative capital asset purchases	30,372	22,259
Less: accumulated amortization	(16,863)	(10,729)
Less: HST payable	(492)	-
Less: Capital assets purchased by MEG	<u>(6,370)</u>	<u>(4,364)</u>
Balance, end of year	<u>\$ 6,733</u>	<u>\$ 8,619</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

5) ATLANTIC LOTTERY CORPORATION INC.

In 1976, the Atlantic Lottery Corporation Inc. was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region.

The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia. Each of the Corporation, Province of Newfoundland, Lotteries Commission of New Brunswick and Prince Edward Island Lotteries Commission own 25% of the Atlantic Lottery Corporation Inc.

The Corporation entered into an Agency Agreement (the "Agreement") with the Atlantic Lottery Corporation Inc. whereby the Corporation has appointed the Atlantic Lottery Corporation Inc. to operate ticket and video lotteries in Nova Scotia as an agent of the Corporation on the terms and conditions set out in the Agreement. Under the Agreement, the Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation.

The Agreement requires that the Corporation's revenues be kept in a separate account and not co-mingled with those of the other provinces. The Corporation's costs are to be deducted from its account. The Agreement clarified that assets acquired or liabilities incurred by the Atlantic Lottery Corporation Inc. exclusively for the operation of the lotteries in Nova Scotia are the Corporation's. As a result, for financial statement reporting purposes, the Corporation has included these assets and liabilities on its balance sheet, with the balance recorded as amounts due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited (a subsidiary of the Atlantic Lottery Corporation Inc.), as appropriate. The Corporation has not recorded any portion of those assets and liabilities that are shared by all Atlantic Lottery Corporation Inc. shareholders in which the Corporation has an interest, the treatment and valuation of which has not yet been determined. This includes common capital assets.

The amounts due to the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited represent a portion of the Atlantic Lottery Corporation Inc.'s line of credit, which bears interest at prime less 1% on borrowings equal to funds on deposit and prime for amounts borrowed in excess of funds on deposit, and a portion of bank term loans. These loans have various terms and interest rates from 3.76% to 5.13% maturing at various dates through August 2011. The line of credit is secured by a general security agreement over all assets of the Atlantic Lottery Corporation Inc., and those owned by the Corporation. The bank term loans are secured by a general security agreement over present and future assets held by the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited and an indenture of subordination from the Corporation up to the value of assets utilized directly for the benefit of Nova Scotia.

The assets and liabilities recorded by the Corporation are recorded for financial statement reporting purposes only and do not necessarily represent the values that the Corporation would take if it were to withdraw from the Atlantic Lottery Corporation Inc.

6) INTERPROVINCIAL LOTTERY CORPORATION

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the *Canada Business Corporations Act*. The Interprovincial Lottery Corporation owns and operates nation-wide lottery games (Lotto 6/49, Super 7, Millionaire Life, various national instant games). Nova Scotia holds one of ten shares of this Corporation, and appoints one of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

7) CAPITAL ASSETS

			2007	2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
<i>(in thousands)</i>				
Automotive	\$ 970	\$ 540	\$ 430	\$ 526
Computer equipment	7,757	4,995	2,762	2,889
Furniture and equipment	272	134	138	54
Computer software	528	78	450	294
Retail equipment	2,059	1,030	1,029	1,097
Leaseholds	48	9	39	21
Halifax casino assets	91,952	32,972	58,980	61,529
Sydney casino assets	23,206	12,550	10,656	10,888
Casino furniture and equipment	30,371	16,863	13,508	11,528
On-line gaming terminals	10,761	10,759	2	433
Video lottery terminals	<u>50,077</u>	<u>43,507</u>	<u>6,570</u>	<u>14,414</u>
	<u>\$218,001</u>	<u>\$123,437</u>	<u>\$94,564</u>	<u>\$103,673</u>

In 2007, the Corporation acquired capital assets of \$4.0 million (2006 - \$7.0 million) financed through Atlantic Gaming Equipment Limited, \$0 million (2006 - \$5.2 million) financed by the Casino Capital Replacement Reserve, and \$2.0 million (2006- \$4.4 million) financed by MEG.

8) CAPITAL OBLIGATION

The Corporation has an obligation under the Amended and Restated Casino Operating Contract to repay the operator of the casinos for the initial cost of the Halifax and Sydney casinos to the extent that there is adequate cash flow from the casinos to fund these obligations. The Corporation has the option to purchase these casinos at any time with six months notice. Future minimum obligations based on there being adequate cash flow are as follows:

	Total
<i>(in thousands)</i>	
2008	\$ 13,928
2009	11,248
2010	<u>543</u>
Net minimum obligation	25,719
Less: amount representing interest	(1,669)
Present value of minimum obligation	24,050
Less: amount due within one year	(12,710)
Balance of obligation	<u>\$ 11,340</u>

9) DUE TO OPERATORS

	2007	2006
<i>(in thousands)</i>		
Due from Atlantic Lottery Corporation Inc.	\$ (429)	\$ (972)
Due from lottery operations	(6,168)	(5,487)
Due to lottery operations	6,537	8,301
Due to MEG - CRA purchase	6,370	4,364
Due from MEG	(682)	(525)
	<u>\$ 5,628</u>	<u>\$ 5,681</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

10) DUE TO ATLANTIC GAMING EQUIPMENT LIMITED

The liability represents a portion of the Atlantic Lottery Corporation Inc. (ALC) debt used in the acquisition of assets operated on behalf of NSGC. All amounts are payable by ALC and are due on or before April 2010. The debt is non-interest bearing, with no set repayment terms.

11) RELATED PARTY TRANSACTIONS

The Province of Nova Scotia, Nova Scotia Harness Racing Incorporated, Atlantic Gaming Equipment Limited and the Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transactions between these related parties are separately disclosed in the financial statements.

12) HARNESS RACING

The Corporation annually contributes to the Nova Scotia Harness Racing Fund amounts approved by the Minister of Finance. In July 2006, Government approved a contribution of \$1.0 million in 2007 to support the harness racing industry in Nova Scotia.

The 2008 approved budget includes \$1.0 million to support the harness racing industry in Nova Scotia.

13) SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2007</u>	<u>2006</u>
Net changes in working capital:		
(in thousands)		
Inventory	\$ (2)	\$ (65)
Prepays	(466)	517
Accounts payable	1,021	685
Deferred lottery revenue	(242)	82
Due to operators	(53)	(2,569)
Due to Nova Scotia Gaming Foundation	(4)	(13)
Due to Province of Nova Scotia	<u>11,040</u>	<u>10,916</u>
	<u>\$ 11,294</u>	<u>\$ 9,553</u>

14) SPECIAL PAYMENTS AND BONUS COMMISSIONS

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

	<u>2007</u>	<u>2006</u>
(in thousands)		
The Department of Tourism, Culture and Heritage		
(in support of the NS Cultural Federations)	\$ 50	\$ 50
The Department of Agriculture		
(in support of the Exhibition Association of Nova Scotia)	50	50
Nova Scotia Health Promotion and Protection		
(in support of Sport Nova Scotia)	<u>100</u>	<u>100</u>
	<u>\$200</u>	<u>\$200</u>

These payments are special funds under the *Provincial Finance Act* established by the Minister of Finance under Section 14(1) of the Atlantic Lottery Regulations as made under the *Gaming Control Act*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

Additionally, in July 2006, as part of its Gaming Strategy, Government approved a contribution of \$3.0 million to Nova Scotia Health Promotion and Protection in 2007 (2006 \$3.0 million) to fund problem gambling treatment.

Bonus commissions of \$0 (2006 - \$1,170) were paid during the year to sporting and cultural organizations.

15) CHARITABLE SECTOR SUPPORT

NSGC manages the delivery of a program called SuperStar bingo which is delivered by participating charities across the province. Charities are paid a commission. Profits, if any, are paid out to the participating charities otherwise, NSGC absorbs the excess of costs over expenses. In 2007, the net loss was \$318,344 (2006 - \$3,457).

16) OTHER COMMITMENTS

The Corporation is required to make annual lease payments of approximately \$0.5 million over the next five years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately \$3.8 million over the next five years.

The Corporation share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for equipment is approximately \$0.4 million over the next five years.

17) PENSIONS

All permanent employees of the Corporation are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Plan, a multi-employer plan. The plan is funded by equal employee and employer contributions. The employer accounts for the plan on a deferred contribution basis with contributions included in the Corporation's management expenses. The Corporation is not responsible for any unfunded liability with respect to the Public Service Superannuation Plan.

18) FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair value of the Corporation's cash and short-term investments, accounts payable, deferred lottery revenue, liabilities for unclaimed prizes, due to operators, due to Atlantic Gaming Equipment Limited, due to the Nova Scotia Gaming Foundation and due to the Province of Nova Scotia approximate their carrying amounts due to their relatively short terms to maturity.

It is not practicable to estimate the fair value for capital obligation as repayment can only be made to the extent there is adequate cash flow from the casinos.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments.

19) COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in this fiscal year.

SCHEDULE I: TICKET LOTTERY AND VIDEO LOTTERY, OPERATING RESULTS
FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	Ticket Lottery	Video Lottery	Total 2007	Total 2006
REVENUE				
Ticket lottery sales	\$215,124	\$ -	\$215,124	\$210,677
Prize expense	<u>120,750</u>	<u>-</u>	<u>120,750</u>	<u>117,603</u>
Net ticket lottery sales	94,374	-	94,374	93,074
Net video lottery sales	<u>-</u>	<u>151,304</u>	<u>151,304</u>	<u>182,205</u>
Total net sales	<u>94,374</u>	<u>151,304</u>	<u>245,678</u>	<u>275,279</u>
Retailer commissions	14,463	30,897	45,360	51,726
Ticket costs	<u>3,825</u>	<u>3,312</u>	<u>7,137</u>	<u>8,277</u>
	<u>18,288</u>	<u>34,209</u>	<u>52,497</u>	<u>60,003</u>
Gross profit	<u>76,086</u>	<u>117,095</u>	<u>193,181</u>	<u>215,276</u>
EXPENSES				
Operating expenses				
Marketing and Communications	4,045	371	4,416	4,179
Development and recruitment	240	151	391	286
Equipment and maintenance	651	319	970	1,030
General and professional services	584	288	872	747
Lease and amortization	4,762	9,966	14,728	18,450
Movement and storage	632	73	705	744
Occupancy cost	804	453	1,257	1,328
Other expenses	132	99	231	150
Research and development	479	285	764	677
Salaries and benefits	7,467	4,475	11,942	12,668
Supplies	227	178	405	446
Telecommunication	2,445	285	2,730	2,698
Travel and vehicle	<u>417</u>	<u>284</u>	<u>701</u>	<u>727</u>
Total operating expenses	<u>22,885</u>	<u>17,227</u>	<u>40,112</u>	<u>44,130</u>
Operating profit	53,201	99,868	153,069	171,146
Other (expenses) income	<u>(306)</u>	<u>2,422</u>	<u>2,116</u>	<u>1,878</u>
Profit before other distributions	52,895	102,290	155,185	173,024
HST expense	4,216	5,871	10,087	12,522
Federal contribution	946	716	1,662	1,665
Charity non-profit	46	-	46	53
Retailer bonus	<u>44</u>	<u>-</u>	<u>44</u>	<u>1,791</u>
Net income	<u>\$ 47,643</u>	<u>\$ 95,703</u>	<u>\$143,346</u>	<u>\$156,993</u>

SCHEDULE II: HALIFAX CASINO NOVA SCOTIA, OPERATING RESULTS
FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	<u>2007</u>	<u>2006</u>
REVENUE		
Casino revenue	\$68,709	\$66,050
Beverage, food and other revenue	<u>6,604</u>	<u>8,328</u>
	<u>75,313</u>	<u>74,378</u>
EXPENSES		
Amortization	2,549	4,193
Capital Replacement Reserve (Note 3)	3,723	3,032
General administration and marketing	-	2,365
Harmonized Sales Tax	4,797	4,394
Interest	2,573	3,864
Operator fee (Note 3)	39,258	29,023
Other expenses including cost of beverage and food	-	1,187
Premise expense	-	723
Salaries and benefits	-	5,411
Win tax	<u>13,742</u>	<u>13,210</u>
	<u>66,642</u>	<u>67,402</u>
Net income	8,671	6,976
Win tax	<u>13,742</u>	<u>13,210</u>
Total payment to Province	<u>\$22,413</u>	<u>\$20,186</u>

SCHEDULE III: SYDNEY CASINO NOVA SCOTIA, OPERATING RESULTS
FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	<u>2007</u>	<u>2006</u>
REVENUE		
Casino revenue	\$20,695	\$19,338
Beverage, food and other revenue	<u>2,259</u>	<u>1,976</u>
	<u>22,954</u>	<u>21,314</u>
EXPENSES		
Amortization	232	361
Capital Replacement Reserve (Note 3)	1,133	1,289
General administration and marketing	-	543
Harmonized Sales Tax	527	693
Interest	-	36
Operator fee (Note 3)	11,947	8,712
Other expenses including cost of beverage and food	-	257
Premise expense	-	173
Salaries and benefits	-	1,591
Win tax	<u>4,139</u>	<u>3,867</u>
	<u>17,978</u>	<u>17,522</u>
Net income	4,976	3,792
Win tax	<u>4,139</u>	<u>3,867</u>
Total payment to Province	\$ <u>9,115</u>	\$ <u>7,659</u>

SCHEDULE IV: OTHER INCOME AND EXPENSES
FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	<u>2007</u>	<u>2006</u>
INTEREST INCOME	<u>\$360</u>	<u>\$278</u>
OPERATING EXPENSES		
Advertising	21	3
Amortization	44	36
Directors fees	70	75
Harmonized Sales Tax	306	274
Membership dues	23	13
Occupancy taxes	5	8
Office and miscellaneous	102	92
Office equipment	47	60
Periodicals	33	28
Postage and freight	14	19
Printing and stationery	27	12
Professional and other fees	559	394
Rent	113	124
Salaries and benefits	1,553	1,456
Telecommunications	40	39
Training	43	66
Travel	<u>112</u>	<u>86</u>
	<u>\$3,112</u>	<u>\$2,785</u>
DISTRIBUTIONS TO COMMUNITY PROGRAMS		
Charitable Sector Support Program (Note 15)	352	4
Department of Agriculture (Note 14)	50	50
Department of Tourism, Culture and Heritage (Note 14)	50	50
Nova Scotia Gaming Foundation	709	842
Nova Scotia Harness Racing Fund contribution (Note 12)	1,000	750
Nova Scotia Health Promotion and Protection (Note 14)	4,122	4,100
Support4Sport Program	<u>373</u>	<u>-</u>
	<u>\$6,656</u>	<u>\$5,796</u>



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